Annual Report 2020

VISION 2030 رؤية
المملكة العربية السعودية
KINGDOM OF SAUDI ARABIA

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Annual Report

2020

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لا إله إلا الله محمد رسول الله

The Custodian of the Two Holy Mosques

King / **Salman bin Abdulaziz Al-Saud**

May Allah Protect Him

His Royal Highness

Prince / **Mohammad bin Salman bin Abdulaziz Al-Saud**

Crown Prince, Deputy Prime Minister and Minister of Defense

May Allah Protect Him

Board of Directors

H.E. Dr. Khaled bin Saleh Al Sultan
Chairman of the Board

Dr. Najm bin Abdullah Al-Zaid
Vice Chairman of the Board

Eng. Abdulaziz bin Fahd Al-Khayyal
Member of the Board

Dr. Abdulmalik bin Abdullah Al-Hogail
Member of the Board

Mr. Rashed bin Ibrahim Sharif
Member of the Board

Eng. Gerard Mestrallet
Member of the Board

Eng. Isam bin Alwan Al-Bayat
Member of the Board

Dr. Raed bin Nasser Al-Rayes
Member of the Board

Eng. AbdulKarim bin Ali Al-Ghamdi
Member of the Board

Message of His Excellency **the Chairman**

The year 2020 will, without a doubt, remain an exceptional year, not only for the Saudi Electricity Company and the Kingdom of Saudi Arabia, but for the whole world, in view of the novel coronavirus (COVID-19) pandemic, and the vast challenges it posed and still poses till this day. Despite these challenges, the Saudi Electricity Company has succeeded, thanks to Allah Almighty, in realizing exceptional achievements, some of which reached new global records, and were supported by our government's wise and successful management of the pandemic. As a result, the Kingdom – with the grace of Allah and the precautionary health measures it took – was one of the world countries least affected by the pandemic, and one of the first countries to provide the vaccine free of charge to all its citizens and residents.

The year 2020 also marked a milestone in the Kingdom's history, with its Presidency of the 2020 G20 Summit, which was held virtually during November 21-22, and was chaired by the Custodian of the Two Holy Mosques King Salman. The Summit achieved unparalleled success, as testified by all the participating countries.

Despite the challenges posed by the pandemic this year, the Saudi Electricity Company made enormous achievements and successes that came in parallel with the growth of the electrical power industry in the Kingdom, which is an important economic pillar, and were given the prime attention and support of our wise government headed by the Custodian of the Two Holy Mosques King Salman, and Crown Prince Mohammad Bin Salman, Deputy Prime Minister, Minister of Defence and President of the Council of Economic and Development Affairs (CEDA) (may Allah protect them), and the resulting important initiatives, decisions and projects, supported by promising economic thinking, accumulated national expertise and modern technologies which have been localized to transform the Kingdom into a promising regional hub in the electric power industry.

One of the most prominent achievements of 2020 was the adoption of financial, structural and regulatory reforms of the electricity sector in the Kingdom, which were approved by the Ministerial Committee for the restructuring of the sector headed and supported by the Minister of Energy Prince Abdulaziz Bin Salman, and with the cooperation of stakeholders within the electricity sector's system. Within these reforms, the SEC has signed an agreement with the government, represented by the Ministry of Finance to reformulate the company's outstanding debt to the government. These reforms addressed a number of financial and structural challenges faced by the sector and the company in the past, enabling them to improve the quality of services provided to customers and enhance the efficiency and reliability of the electricity sector, in line with the Kingdom's auspicious Vision 2030 goals.

With the grace of Allah, the Saudi Electricity Company was able to relate and respond to all transformations, changes and developments, and to align all its plans with the general directions of the National Transformation Program (NTP 2020), and the Kingdom's Vision 2030. The company incorporated its new directions and future development plans in its services and performance, having succeeded, during the past years, in achieving a paradigm shift in the field of digital transformation and attracting and localizing modern technologies in the field of electrical industries and smart networks and automating distribution networks, in line with all the requirements of economic and population growth and urbanization, and the accompanying increased demand for electrical power. In fact, the company has succeeded in achieving a qualitative shift in the provision of stable and reliable services to its customers, and in raising the level of competition with the global standards, which qualified it to register a remarkable and honorable presence in global forums, which contributed to the winning of a number of important awards and certificates at the local, regional and global levels, most notably the Best Creative Idea Award for 2020, in the Productivity Category from Ideas Arabia, Dubai, and the Judges Special Achievement Award for Creative Ideas in the Technical Category in the British Ideas Competition. The company's Employee Creativity Program "Ibdaa" was also awarded the Platinum Accreditation from the British Ideas Organization (IdeasUK), and the company received three certificates of corporate excellence at the level of R4E 3 Stars from the European Foundation for Quality Management (EFQM).

One of the company's most notable achievements in 2020 was continuing the implementation of the smart electronic meters project, where, despite the unprecedented conditions posed by the coronavirus pandemic, the company was able to install over 8.8 million smart meters out of 10 million meters reserved for all customers in all regions, cities, villages and residential communities in coordination with the relevant authorities. This ambitious project helped the company achieve qualitative leaps in the field of digital transformation, supported the reliability of the electrical service and reading and billing systems, and enhanced cybersecurity of the electrical network.

To achieve the objectives of the Kingdom's Vision 2030 and the company's strategic objectives by localizing the electrical industries through implementing the "Build and Employ National Abilities (BENA)" program on the company's purchases, the company enhanced local content in the smart meters project, by localizing around 40% of the total 10 million meters, in addition to raising the purchase rate from local factories to 67%.

The company has also succeeded in providing electricity services to 385,000 new customers in all residential, commercial, industrial, agricultural and governmental sectors, bringing the number of customers, which the company is proud to serve, to 10,122,895 customers at the end of 2020.

The company introduced global technologies which helped it to own the largest wireless communications network of its kind in the Middle East, as well as increased the length of the fiber optic network to over 80,000 km.

Despite the exceptional circumstances experienced by the telecommunications sector in 2020, the company, through its subsidiary "Dawiyat Integrated", was able to realize several achievements, the most notable of which were: providing fiber optics to about 508,000 households since the start of the project, allowing the provision of service to about 10% of all families in the Kingdom.

The company also reached a major milestone in the field of electricity transmission, as the lengths of its transmission network reached more than 89,162 km-circular at the end of 2020, and covered the different parts of the Kingdom, through 1,150 transmission substations. In addition, the company succeeded in increasing the electricity produced from the Power Generation business line, through 497 power-generating units installed in 40 power plants distributed in most regions of the Kingdom, producing 181.8 Terawatt of energy, and accounting for 50.2% of the total electricity produced in 2020, thus reducing the diesel consumption of generating plants by approximately 69 million barrels equivalent to SR 2.305 billion at domestic prices, and SR 11.424 billion at international prices from 2015 until 2020.

Despite the unprecedented challenges posed by the COVID-19 pandemic, the company's business and activities showed a significant growth as presented in this year's performance indicators. While providing its customers with efficient and reliable electrical power, the company's plans to implement large-scale projects were consistent with the government's plans to reduce reliance on equivalent fuel to generate electricity, and with the trend towards renewable energy use in electricity generation, as well as the shift towards the use of smart grids in the transmission and distribution of electricity, and electrical connection projects with other countries.

During 2020, the company achieved great success in fighting the coronavirus pandemic by taking several precautionary measures based on the directives issued by the relevant government authorities, in all of its facilities and locations during the full or partial lockdowns, which contributed to decreasing the pandemic's risk in all the company's facilities.

Over the whole year, everyone has exerted great efforts that have contributed to achieving outstanding results that would live up to our goals and push us to achieve more, based on the ambitious goals set by the Board of Directors of this leading national edifice locally, regionally and globally. We strive to have a significant impact on the modernization and development of the company's sectors, as well as the aspirations of our customers to access highly reliable electrical services, in accordance with the highest global safety standards.

In addition to the above, the company and its subsidiaries completed other major projects during 2020, details of which you will find in this report. You will also find a detailed and thorough description of all the company's accomplishments, the projects that have been completed and those that are underway, which would not have seen the light of day without the grace of Allah, and then the tremendous efforts of the prudent Saudis leadership and the Saudi executives, who run this company, and the employees who showed distinctive work, innovative ideas and quality initiatives, which contributed to the leading position the company has reached, and the results that mirrored our ambitions and moved us forward towards new horizons in the coming years.

Finally, on behalf of the members of the Board of Directors, as well as my own, I present our sincerest thanks and appreciation to the Custodian of the Two Holy Mosques King Salman and Crown Prince Mohammad Bin Salman (may Allah protect them) for the unlimited support bestowed by the government on our company. I would also like to thank the Ministerial Committee for Restructuring the Electricity Sector headed by Prince Abdulaziz Bin Salman, the Minister of Energy and the membership of the Minister of Finance, Minister of Economy and Planning, Acting Chairman of the Board of Directors of the National Center for Privatization, and the Governor of the Public Investment Fund (PIF), and all the teams involved in the electricity sector integration system, for their great and fruitful efforts in the comprehensive reforms approved for the sector.

I would also like to present my sincerest thanks to our colleagues in the Executive Management and the company's employees in all its facilities who contributed to this year's achievements, asking the Almighty to help us all succeed in making more accomplishments, growth and development in the electric power industry and to support the development process in our beloved Kingdom.

We pray to Almighty Allah to keep our dignified country prosperous, safe and secure under the wise leadership of our government.

Dr. Khaled bin Saleh Al-Sultan
Chairman of the Board of Directors

Message of His Excellency **the Chief Executive Officer**

Despite the exceptional circumstances that the Kingdom and the world faced in 2020 as a result of the COVID-19 pandemic and the economic difficulties it imposed, the Saudi Electricity Company has succeeded in achieving major accomplishments, implementing mega projects, and providing cutting-edge services, in accordance with the highest global standards. These accomplishments were supported by the directives of the wise government led by the Custodian of the Two Holy Mosques King Salman and Crown Prince Mohammad bin Salman (May Allah protect them), and the continuous follow-up from Prince Abdulaziz Bin Salman, the Minister of Energy. These achievements marked a paradigm shift in the company's move towards digital transformation, and a milestone in keeping up with the Kingdom's Vision 2030, which the company's Board of Directors, Executive Management and all its employees are working to achieve its goals in the field of electrical power and sustainable development.

This year's achievements are an extension of the significant efforts and continued successes that the company had over the past years. During 2020, the company realized many achievements, the most important of which are:

- Delivering electricity services to 385,000 new customers in all sectors, bringing the number of customers to 10,122,895.
- Installing more than 8.8 million smart meters out of 10 million meters by the end of 2020.
- Promoting local content in the smart meters project by installing 40% of the 10 million meters from local Saudi factories.
- Raising the purchase rate from local factories to 67%.
- The company received the ISO 9001:2015 Certificate from the British Standards Institution (BSI) for the application of the international standard specifications of comprehensive quality management systems, as these were applied to all the sites and businesses of the company's materials sector.
- Increasing the electrical power produced from the generating business line to 181.8 Terawatt, accounting for 50.2% of the total electricity produced.
- Installing 497 power-generating units at 40 power plants distributed throughout the Kingdom.
- Consuming 315 million barrels of oil equivalents at an overall efficiency rate of 37%.
- Reducing diesel fuel consumption by 11.2 million compared to 2019.
- Reducing the diesel consumption of power plants by approximately 69 million barrels corresponding to SR 2.305 billion at domestic prices and SR SR 11.424 billion at international prices from 2015 until 2020.

Distribution

- Adding 24,129 new transformers for 69 kV and below, an increase of 4% from 2019, and a capacity of 12,423 MVA, representing 4% of the total capacity at the end of 2019.
- Adding overhead networks and underground cables for 69 kV and below, with an overall length of 31,812 km-circular, an increase of 5% compared to 2019.

Transmission

- Adding overhead networks and underground cables with a length of 6,971 km-circular, which represents 8.7% relative to 2019, bringing the total length of the transmission network lines to 89,162 km-circular at the end of 2020.
- Adding 25 new transmission substations with 75 new transformers and a total capacity of 9,560.5 MVA.
- Enhancing and completing 19 substations by adding 25 transformers with a net capacity of 1,994 MVA.
- The number of transmission substations reached 1,150 substations by the end of 2020.
- Adding 4,772 km of new fiber optic lines, bringing the total length of the fiber optic network to 80,000 km.

Projects Development

- Operating 4 projects to enhance the generation capacity at a cost exceeding SR 20 billion, with a total capacity of 5,489 MW.
- Tendering, awarding and signing 83 new transmission projects with an allocated budget of SR 13.6 billion.
- Implementing projects to enhance the transmission network capacity with transmission plants and lines for more than 370 projects with contractual cost of

over SR 39 billion.
- Contributing to the execution of energy projects within " Vision 2030 ", such as connecting renewable energy projects to the grid to achieve the National Renewable Energy Program, The Qiddiya project, Al-Masar Sport project, and NEOM Project and others.
- Operating 4 generating units with a total generation capacity of 776 MW and connecting it to the grid.

Integrated Dawiyat
- Connecting fiber optics to approximately 508,000 families.
- Allowing the provision of service to about 10% of families.
- Increasing the percentage of partnerships by 40% and capacities by 60%.

Principal Buyer
- Implementing projects of the private sector participation program in electricity production with a 13,414 MW capacity.
- Developing 6 projects within the second phase of the National Renewable Energy Program with a total capacity of about 1,470 MW.
- Signing of an agreement to purchase a new type of wind power for the Dumat Al-Jandal project, with an electric capacity reaching 400 MW for 20 years, and commercial operation in 2022.

Projected until the end of 2023
- Delivering electricity services to 1 million new customers which will bring the total to 11 million customers.
- Adding new generating capacities by about 8,203 MW from the private sector to increase generating capacities to meet future loads.
- Adding transmission lines of 5,402 km-circular and 86 transmission substations.
- Strengthening the distribution networks by adding 126,388 km of transmission lines.

Human Resources – Development and Training

Awards and Rankings
- Best Creative Idea Award 2020 – Productivity Category, from Ideas Arabia, Dubai.
- Judges Special Achievement Award for Creative Ideas – Technical Category in the British Ideas Competition.
- Platinum ranking for the Employee Creativity Program "Ibdaa" from the British Ideas Organization (IdeasUK).
- Three certificates of corporate excellence at the level of R4E 3 Star from the European Foundation for Quality Management (EFQM).
- The company obtained the ISO 9001:2015 certificate in a range that includes all human resources development sector operations.
- The company obtained an extension of the validity of ISO certificates: 29990:2020, 29993:2017 for another new year for the management of training and business development services.
- Training 16,507 employees of the company; the number of participants exceeded 27,513 participants in 2,919 training courses.

Shareholders' affairs
- Working to achieve the aspirations of shareholders, develop their rights and facilitate their access to information.
- Enhancing the quality of disclosure of financial results, important developments and fundamental changes.
- The value of the share at the end of the year is SR 20.30, compared to SR 20.22 at the beginning of 2020, up by 5.30%.
- Excellence Award in the Corporate Governance Index.

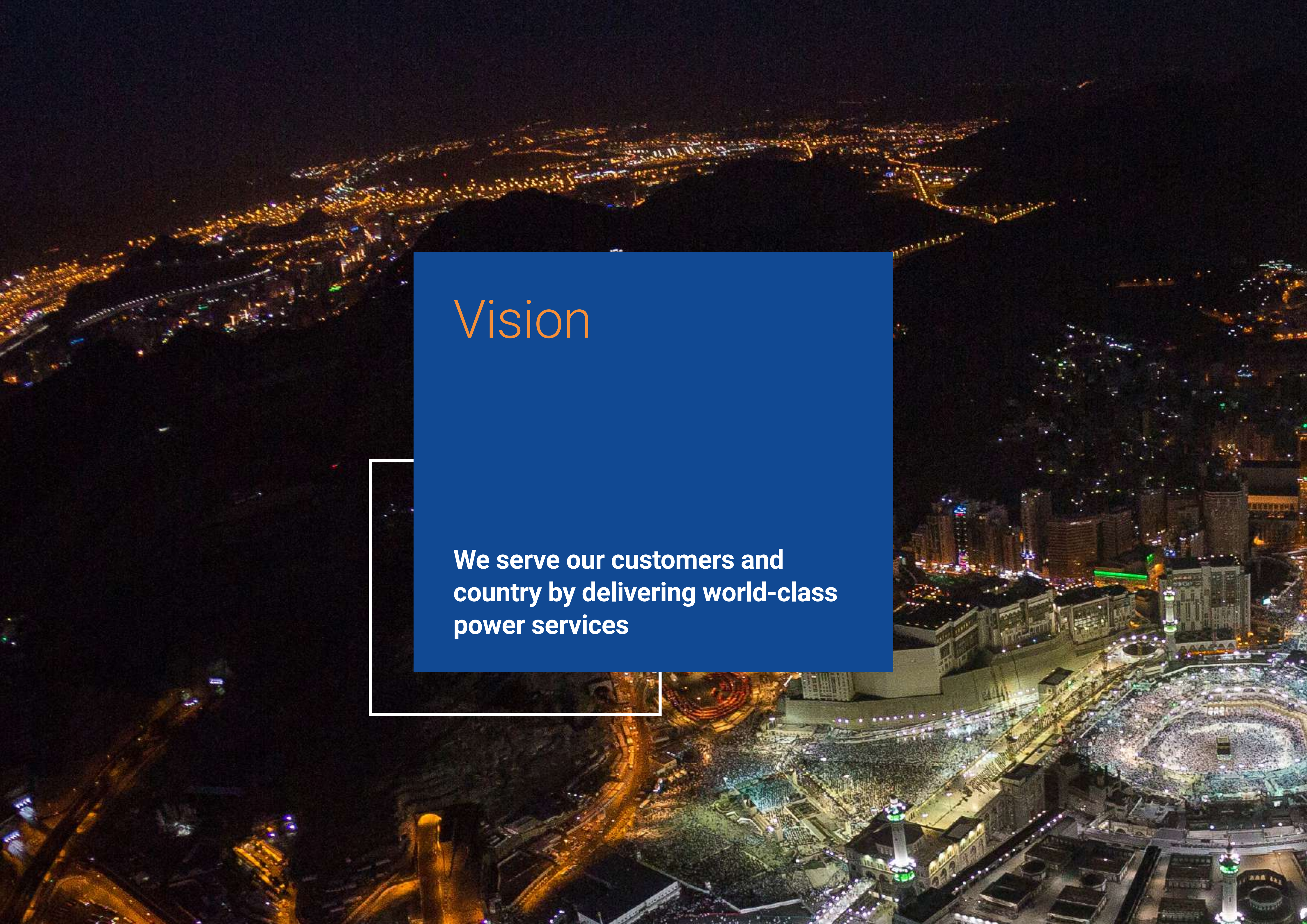
Coronavirus Pandemic
- Taking a range of precautionary measures based on directives from the relevant government agencies.
- Using all company's channels and platforms to raise awareness among employees and citizens as well about the risks of contracting the COVID-19 virus.
- Closing all gathering places in all company facilities and locations (prayer rooms, restaurants, sports clubs and meeting rooms).
- Activating flexible working hours in order to reduce the presence of employees at the same time, thus crowding the company's parking lots, elevators and entrances or in the offices.
- Adoption of remote work.
- Intensified inspection tours to monitor the implementation of precautionary measures.
- Issuing more than 56,000 movement permits during total or partial lockdowns.
- Supporting the Health Endowment Fund, in collaboration with partners, with SR 54 million to help provide ventilators, air purifiers and others.

One of the most prominent achievements of 2020 was the adoption of financial, structural and regulatory reforms of the electricity sector in the Kingdom which were approved by the Ministerial Committee for the Restructuring of the Electricity Sector, and the SEC's signing of an agreement with the government, represented by the Ministry of Finance to reformulate the company's outstanding debt to the government. These reforms addressed a number of financial and structural challenges faced by the sector and the company in the past, enabling them to improve the quality of services provided to customers and enhance the efficiency and reliability of the electricity sector, in line with the Kingdom's auspicious Vision 2030 goals.

In conclusion, after reviewing these great efforts and outstanding projects behind which highly qualified and ambitious national competencies have stood whom I cannot thank enough for everything they have given to this great national entity, I present my sincerest thanks and gratitude, on behalf of myself and on behalf of my fellow Board members, the Executive Management and all the company's employees to the Custodian of the Two Holy Mosques King Salman and his Crown Prince Mohammad Bin Salman (May Allah protect them) on the unlimited support provided by our wise government to the company. I also offer my thanks and gratitude to Prince Abdulaziz Bin Salman for his continued support and follow-up of the company's business, asking Almighty Allah to help us to achieve more in the electric power industry to support the Kingdom's development process.

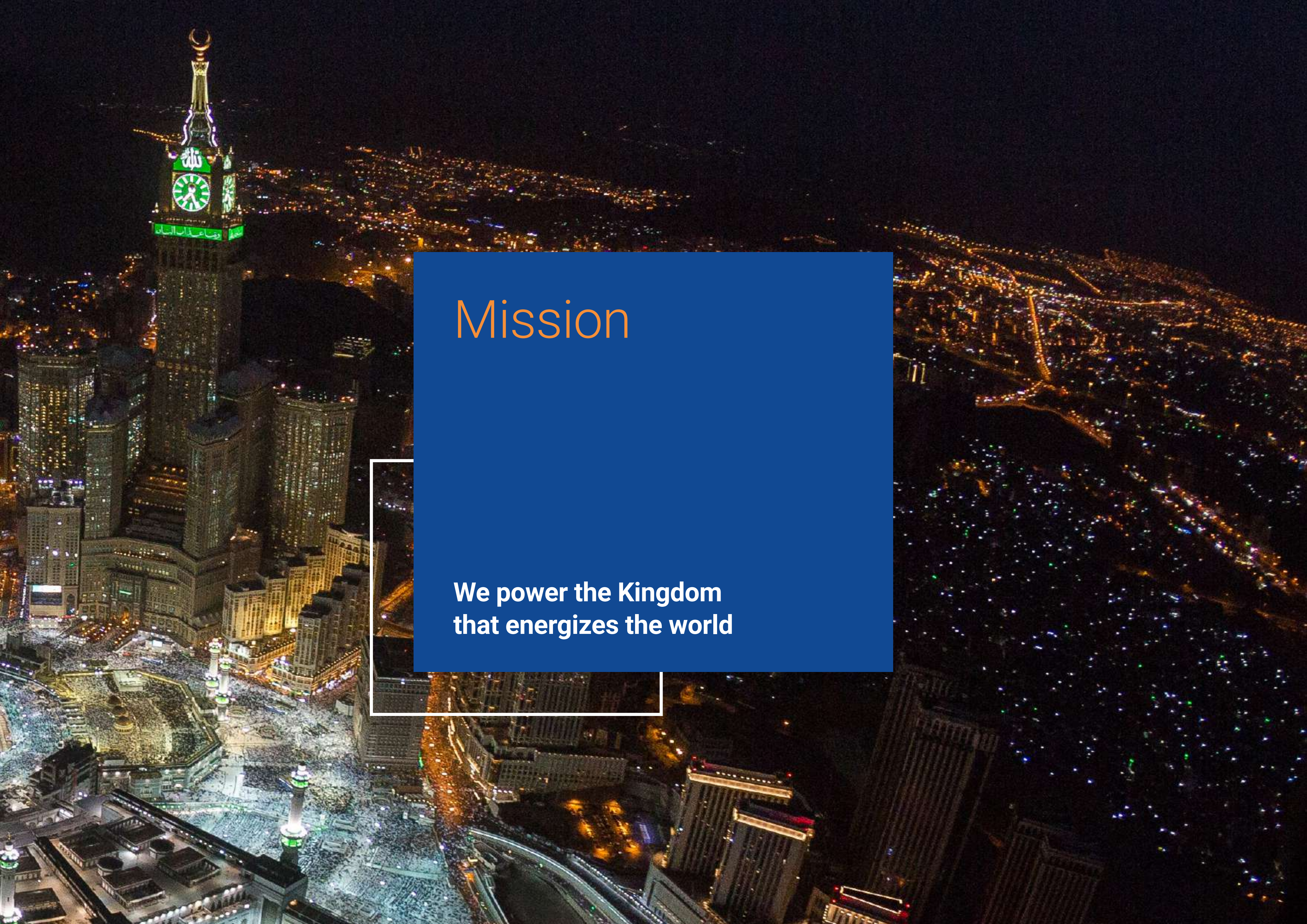
Fahad bin Hussein Al-Sudairi

Chief Executive Officer



Vision

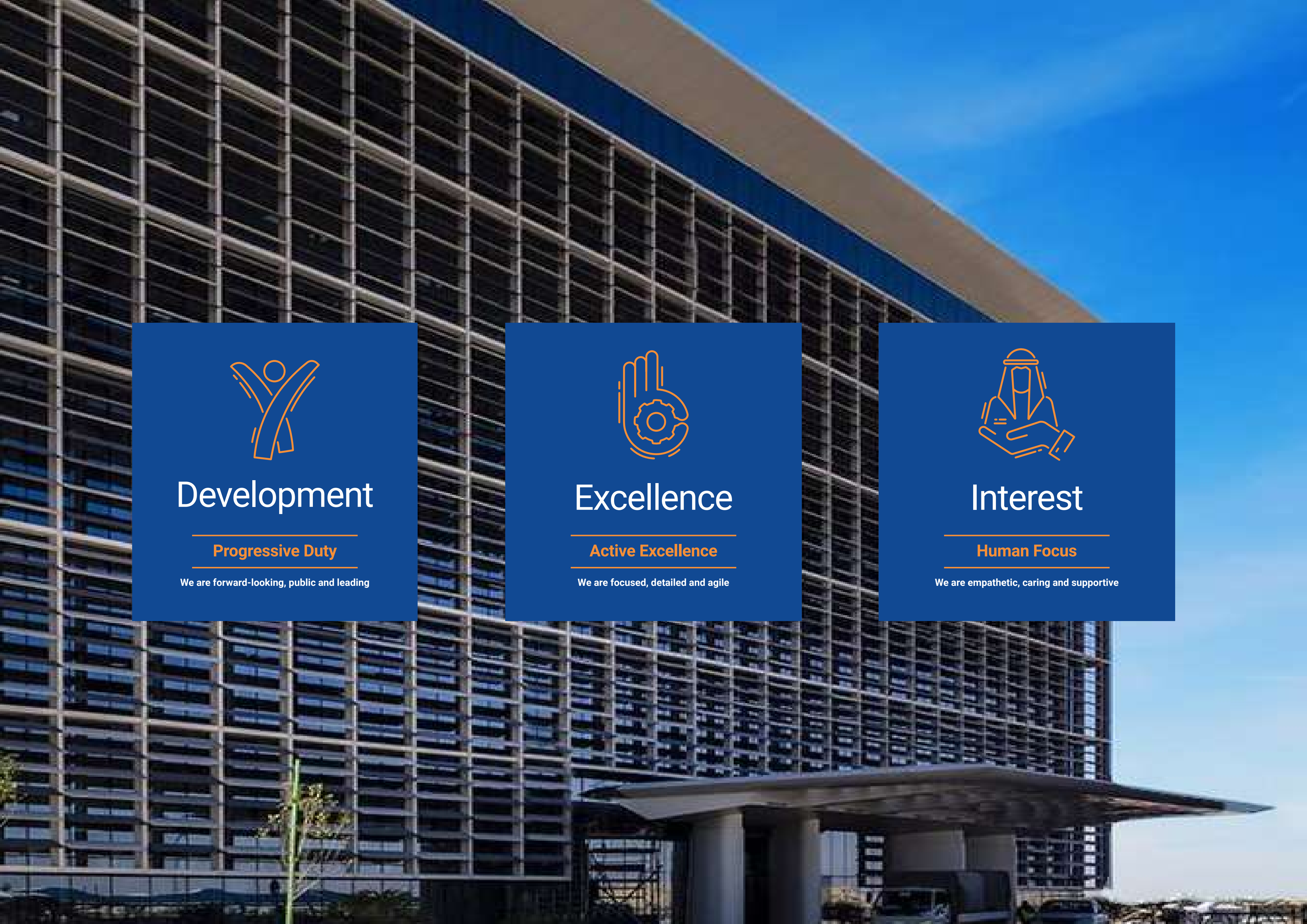
We serve our customers and country by delivering world-class power services

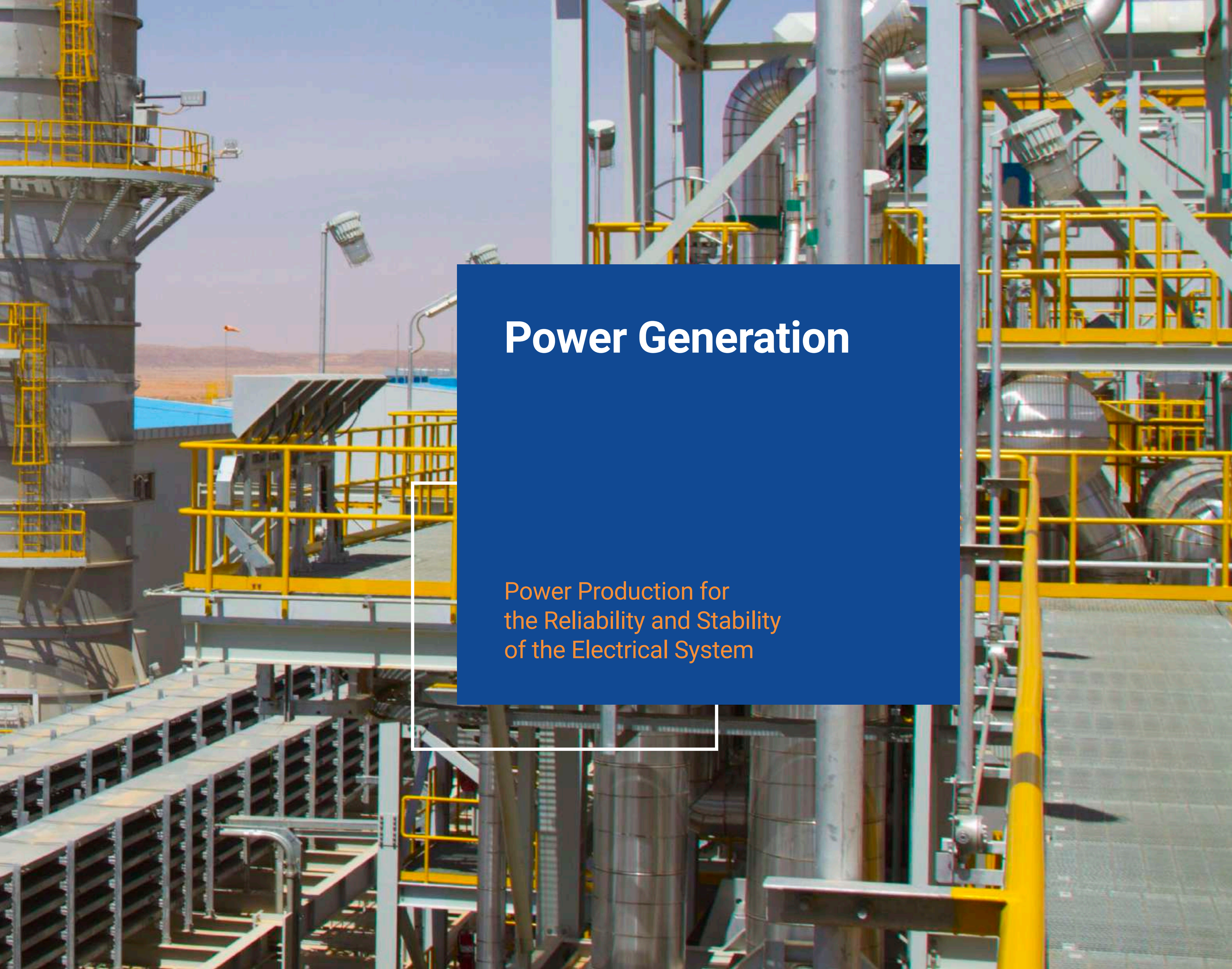


Mission

We power the Kingdom that energizes the world

Core Values


Development
Progressive Duty
We are forward-looking, public and leading
Excellence
Active Excellence
We are focused, detailed and agile
Interest
Human Focus
We are empathetic, caring and supportive



Power Generation

Power Production for
the Reliability and Stability
of the Electrical System

Power Generation

The Power Generation business line is one of Saudi Electricity Company's core business. The primary function of this business line is to produce electricity, support stability of the electrical system and plays a vital role in restoring the electrical system in the event of a blackout. These are achieved through 497 power-generating units installed at 40 power plants distributed throughout the Kingdom of Saudi Arabia. The existing power generating fleet varies, from small 15 MW units, to large modern 720 MW units.

SEC generates power from different technologies which range from 30% simple cycle (fixed and mobile), to 28% combined cycle and 42% steam cycle power plants. The generation total capacity is 53 GW, which represents 67% of the total installed capacity in KSA, making SEC the largest power producer in KSA and Middle East.

In 2020, the generating fleet produced 181.8 Terawatt of energy. This represents 50.2% of the total electricity feeding the electrical system. This consumed about 315 million barrels of oil equivalent at an overall efficiency rate of 37%.

The fuel efficiency has a tangible impact on the economy in light of the power generation capacity and production volume. Over the past several years, Generation executed various fuel-saving initiatives and fuel efficiency improvement projects. These projects includes converting units to operate on natural gas, simple cycle to combined cycle conversions and converting units operating from diesel oil to crude oil. In particular, diesel fuel consumption reduced in 2020 by 11.2 million barrels relative to 2019. Continuous efforts to increase fuel efficiency has resulted in 19 million barrels of oil equivalent reduction from 2016 to 2020.

The Generation business line ensured efficient and reliable operation and maintenance work despite the difficulties imposed by the COVID-19 pandemic. The business line completed all planned maintenance activities as follows:

56 Units	Major type inspection
104 Units	Medium type maintenance
153 Units	Minor type maintenance

The maintenance activities were completed in approximately 634,000 work hours and by Saudi workforce trained especially for this goal, which represents 90% of the total number of employees working in this business line, which is 6,543 employees.

The generating plants built at different times in the past pose significant environmental regulation and compliance challenges. Projects valued at SR 132 million were approved/implemented in 2020 to ensure continuous improvement and alignment with current environmental regulations and policies.

The safety and wellbeing of all employees remained the top priority of the business line during 2020. In total, 78 emergency evacuation drills and 5,364 safety audits were carried out. As a result, no fatalities and no major injuries were reported.

497 Power generating units

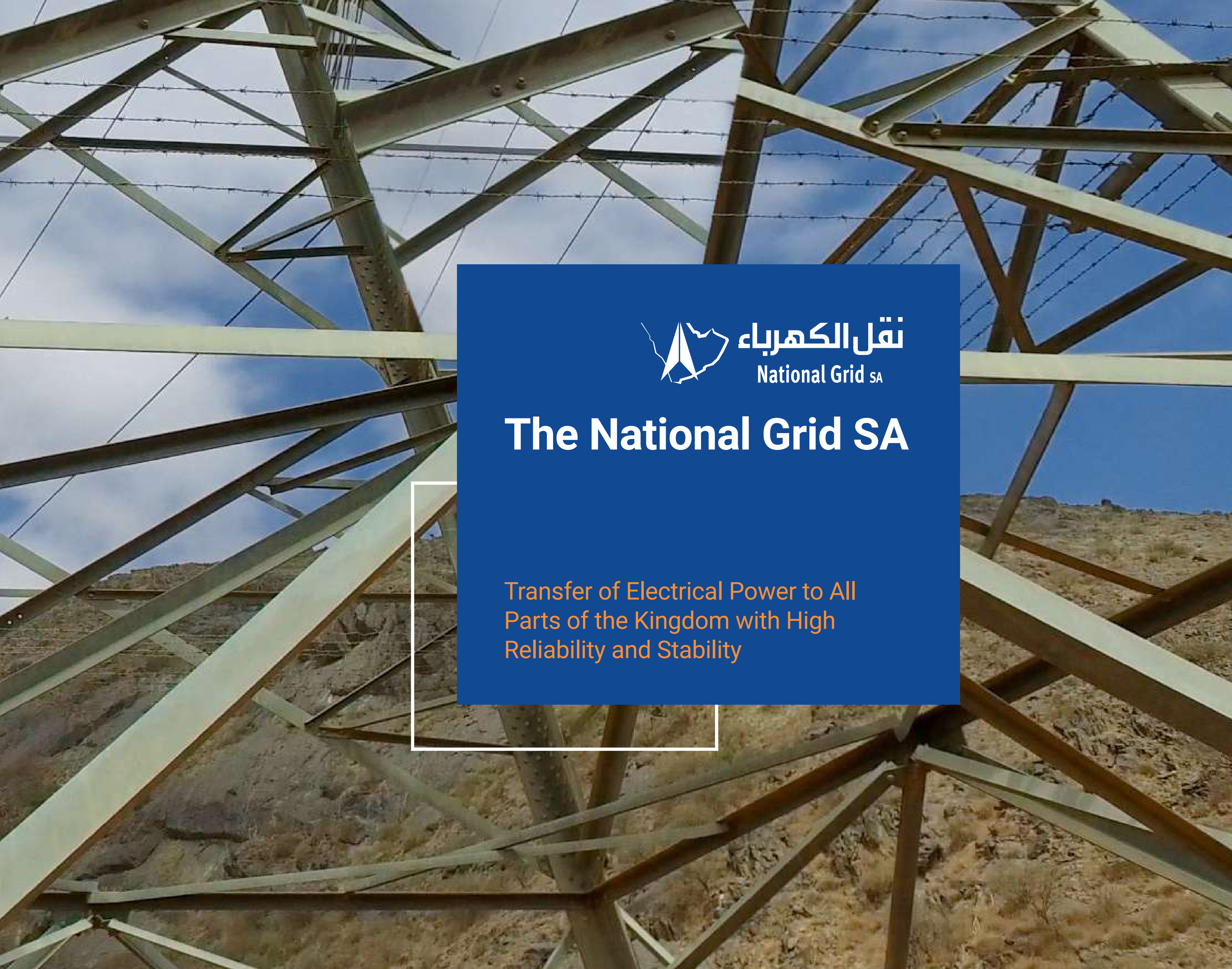
Value of Environmental Projects 132 Million Riyals

Diesel consumption reduction 11.2 Million barrels

40 Electric power plants

6,543 Employees

Generated Electrical Energy 50.2% Total electricity feeding the electrical system



نقل الكهرباء
National Grid SA

The National Grid SA

Transfer of Electrical Power to All Parts of the Kingdom with High Reliability and Stability

The National Grid SA

The National Grid SA is a wholly-owned limited liability subsidiary of the Saudi Electricity Company.

Company's Tasks

Operating the electrical system and following up loads around the clock while raising the efficiency of the electrical system through the economic operation of all power plants connected to the electrical grid, and maintaining the electrical network to ensure a reliable and stable transfer of electrical power to load centers throughout the Kingdom with high reliability and stability. The responsibilities of the National Grid SA also include the strengthening of the electric network with 132 kV transmission substations, as well as enhancing the capacity of the telecommunications network and the 110 high voltage cable network through multiple stages including planning, designing, implementing projects, and ensuring the development of programs and operations in different sectors.

The National Grid SA's organizational structure includes five main activities: operations and control, maintenance, planning, engineering, and technical services, in addition to two central departments. The company's mission is to operate the power generating stations economically and to transmit highly reliable electrical power from its production sites to consumption centers, study and issue the expected loads, develop plans that will enhance the electrical system to meet the expected loads for the coming years, in addition to serving major customers and determining their needs and the best way to supply them with electricity. The company also strives to create a suitable and stimulating environment for its staff with the aim of developing their expertise to achieve excellence in operational planning.

The Company's main activities and achievements

The company launched the strategic transformation program (Itqan) during the year 2018. The program is based on developing and implementing the company's main strategies by implementing several strategic projects, including the (National Grid SA's governance model project, the investment model project, the digital transformation project, the asset management application expansion project), in addition to a study aimed at monitoring the challenges and, in general, the potential changes in the electricity industry in the Kingdom to prepare the appropriate ground to raise the readiness to face these variables, and the accompanying challenges.

The plans and objectives of the company are dedicated to promoting the electricity supplies by reducing costs, and completing the national electrical network. Based on these plans, throughout 2020, the company completed several new projects, as well as enhanced ongoing projects aimed at improving and developing the transmission networks, as well as increasing their efficiency.

Transmission Networks

Total lengths of the transmission network lines reached 89,162 km-circular by the end of the year, as the company added overhead networks and underground cables and transmission substations, in addition to fibre optics networks to the existing networks. The added overhead networks and underground cables included about 6,971 km-circular, which represents 8.7% of the existing networks at the end of 2019, as follows:

- At the ultra-high voltage level (230-380 kV): added 4,345 km-circular, including 57 km-circular of underground cables and 4,288 km-circular of overhead networks.
- At the high voltage level (110-132 kV): added 2,625 km-circular, including 637 km-circular of underground cables, and 1,988 km-circular of overhead networks.

Transmission Substations

Added 25 new transmission substations with 75 new transformers and a total capacity of 9,560.5 MVA. In addition, enhanced and completed 19 substations by adding 25 transformers with a net capacity of 1,994 MVA, bringing the total number of transmission substations to 1,150 substations by the end of the year.

Fiber Optic Network

The National Grid SA owns the latest communications modes to transmit information at very high speeds through light signals passing through a bundle of fiber optic cables drawn out with the electrical transmission lines throughout the electrical transmission network in order to connect the generation plants and transmission stations to each other. Monitoring and controlling these plants and stations with high reliability and speed through regional and national control centers, with the necessary readings transmitted and followed directly through them, is one of the most important elements of smart networks because of their characteristics that are in line with modern technologies. In 2009, planning on the project to expand and strengthen the electricity transmission networks to reach their current position started by strengthening the transmission network with a network of fiber optics connecting all regions of the Kingdom, while enhancing the internal network in each region separately and thus obtaining a strong infrastructure that supports the company's move towards digital transformation and operating efficiency. In 2020, the longest fiber optic network measuring 4,772 km was added, bringing the total length of the fiber optic network to over 80,000 km, placing the company among the largest fiber optic networks in the region.

The Scientific Council of the National Grid SA

The Council made many effective contributions to the National Grid SA in 2020, the most prominent of which were:

- Supporting and monitoring 6 joint research projects with the Electric Power Research Institute (EPRI) for 2020, where the Council formed teams from within the company to manage these projects and to provide all means of support. These projects, through the development of procedures and technical specifications, contributed to financial savings in operational costs.
- Managing 2 joint research projects with local universities as follows:
  - » The Investigation of Voltage Rise in Central Region Network Project with King Abdulaziz University.
  - » The Load Forecasting Model Project with King Abdulaziz City for Science and Technology.
- Raising the quality of the scientific contributions and papers of the National Grid SA submitted to local and international conferences by reviewing and evaluating the scientific papers submitted by the company's employees.

Scientific Participations

In the context of increasing the visibility of the National Grid SA in local and international forums, the company has participated and presented numerous scientific papers during 2020, where the total number of papers submitted to conferences and to internal and external forums reached 10 scientific papers. The scientific paper presented by the National Grid SA titled "Unidirectional and Bidirectional Connections and Cybersecurity of Smart Grid Infrastructure" was awarded the Best Scientific Paper Award at the GCC Power 2020 Conference.

Training and Development

The training and development programs of the National Grid SA contributed to raising the technical and administrative level of the company's employees by participating in conferences, workshops, factory training programs and other training events.

During 2020, the Tahseen program has also contributed to improving and developing the National Grid SA's current procedures, where 57 studies were adopted. By the end of the year, all studies had been closed and recommendations of 54 studies had been adopted.

Transmission Networks

New overhead networks and underground cables

6,971

km-circular

Total Transmission Networks

89,162

km-circular

Transmission Substations

25

New Transmission Substations

19

Substations (enhancement & completion)

Total Transmission Substations

1,150

Transmission Substations

Fiber Optic Network

New Fiber Optic Network

4,772

km

Total Fiber Optic Network Lengths

80,000

km

اكتشف
DISCOVER
الارتقاء بمستقبل الطاقة
Better EnergyFuture

Distribution and Customer Services

385 Thousand New Customers

Distribution and Customer Services

It is a main business line of the company, tasked with receiving and distributing energy from transmission networks and providing customers with reliable electrical service, while improving the level of services provided to them. The business line generates and distributes electricity consumption invoices to customers and carries out its annual plans and programs to provide high quality services through the use of the latest technology and facilitating access to the service.

The plans of the business line include a number of pillars, objectives and performance standards, including:

- Raising the rates of connection of electricity services to new customers in cities, villages and communities.
- The continuous improvement of distribution networks to ensure their performance is at the desired level.
- Raising energy efficiency and facilitating the procedures of connection and simplification of electricity services.
- Developing customer service centers and applying the latest technologies.
- Developing employees' skills in calculating customer consumption and reading of invoices.
- The continuous attention to raising the efficiency and performance of frontline employees.

Servicing the Two Holy Mosques and Sites

Servicing the Two Holy Mosques and Holy Places with electric power is one of the highest priorities of the Distribution and Customer Services business line each year. The business line is keen to stabilize the system and provide service with high reliability around the clock. The business line's efforts in servicing the visitors of the Two Holy Mosques this year was highlighted through the establishment of integrated electrical networks for COVID-19 screening centers and health service centers such as the COVID-19 Mobile Hospital in Medina, whose electrical network was established within 8 hours.

Customer Services

The Distribution and Customer Services business line continues to work diligently towards providing superior customer service and raising the level of confidence in the electrical services provided by launching a succession of initiatives and projects.

The Distribution business line formed high-efficiency specialized teams to meet the challenges and overcome difficulties, and to benefit from all modern technologies available for digital transformation and service delivery through multiple communication channels which allow customers to take advantage of the company's services in an easy and fast way.

Spearheading the list of achievements completed by the Distribution business line in the field of customer service and digital transformation was the installation of 8.8 million smart meters during the year 2020, with a target that exceeded the 10% expected average, which will achieve qualitative leaps in customer service, raise their satisfaction, and improve the reliability indicators of the network, Allah willing, despite the unprecedented conditions that occurred through the whole world due to the COVID-19 pandemic, and the restrictions imposed on transportation, shipping and supply, as well as periods of lockdown that have been applied to many neighborhoods and cities in the Kingdom. However, the unlimited support of the Government of the Custodian of the Two Holy Mosques and the directives of His Royal Highness the Crown Prince, and the direct follow-up of His Highness the Minister of Energy which helped to facilitate all procedures and to overcome all difficulties, had the greatest impact in enabling the company to implement its installation of smart meters plan and achieve the aspirations of the Kingdom's wise leadership to implement the digital transformation of its customers' meters. Under these exceptional circumstances, the business line was able to maintain high customer service levels and add new accomplishments to the series of its successive achievements during the past years. More specifically the Distribution and Customer Services business line's 2020 achievements are:

- New customer connections exceeded 2020 target by 24%.
- Reduced the average cost of new customers' connections by 8% ahead of the 2020 target.
- Reduced the average time to connect customers by 45% compared to 2019.
- Maintained the average response to customers in call centers to less than one minute.
- Maintained the average response to customers through Twitter to less than 5 minutes.
- Issued the customer's invoice within only 6 days of reading the customer's meter.
- Ensured that 98% of customers' meters are read within 30 days.
- Honored by the Governor of Jeddah with the Ibdaa Award.
- Launched a tracking system that enables customers to track their requests for electrical services on the company's digital channels.
- Implemented the first phase of the complaints closure system by verification code to raise the quality of follow-up and close complaints.
- Reduced the average time to resolve complaints from 7 working days to 5 working days during 2020.
- Launched the new version of ALKAHRABA application, which includes the provision of new services, including registration in Hesabi and the start and termination of the service.
- Enabled deferred payments and supporting payments by Visa and MasterCard through the website as well as through Apple Pay service.
- Developed and launched a violation tracking system to document all irregularities on the customer meters (tampering, damage of equipment, irregular return of service) and link it with the ECRA.
- Added a link to the Short Message Service (SMS) indicating the requirements that need to be brought to the office in connection with notifying the customer of the violation.
- Activated the IVR communication and payment reminder.

- The Distribution business line achieved 1st place in environmental compatibility assurance at SEC.
- Successfully linked with Baladi platform in 14 provinces across the Kingdom to expedite new customer connections.
- Connected with Modon platform to receive electricity requests automatically.
- Linked with the Ministry of Municipal and Rural Affairs to exchange geographic information.
- Automated the entry of morning report data in planned outage and closure notices in SAP-PM as directed by the Water and Electricity Regulatory Authority.
- Launched the Dashboard performance and maintenance indicators monitoring panel.
- Reduced the value of receivables owed by government agencies by SR 28.6 billion.
- Collected late consumption bills from large customers in the amount of SR 1,041 billion.

With the aim of continuously providing electricity services to new customers, 385 thousand new customers have received electrical services, bringing the total number of customers, which the company is proud to serve, to more than 10.1 million.

Improving Network Performance

- A total of 24,129 new transformers for 69 kV and below were added, an increase of 4% of the total distribution transformers at the end of 2019, and a capacity of 12,423 MVA, representing 4% of the total capacity at the end of 2019.
- Overhead networks and underground cables for 69 kV and below were also added, with an overall length of 31,812 km-circular, an increase of 5% of total networks at the end of 2019.

The positive results of the various interruption indicators achieved at the end of 2020 are new accomplishments that can be added to this year's achievements, with the System Average Interruption Frequency Index (SAIFI) decreasing by 21% from last year and the System Average Interruption Duration Index (SAIDI) decreasing by 26% from last year.

DBU aims to achieve more positive results in this field by establishing a special center for monitoring and analyzing breakdowns and achieving the company's aspirations to quickly restore the electrical power to customers in less than two hours.

Total Energy Sold **280,811** Gigawatts

10,122,895 Customers

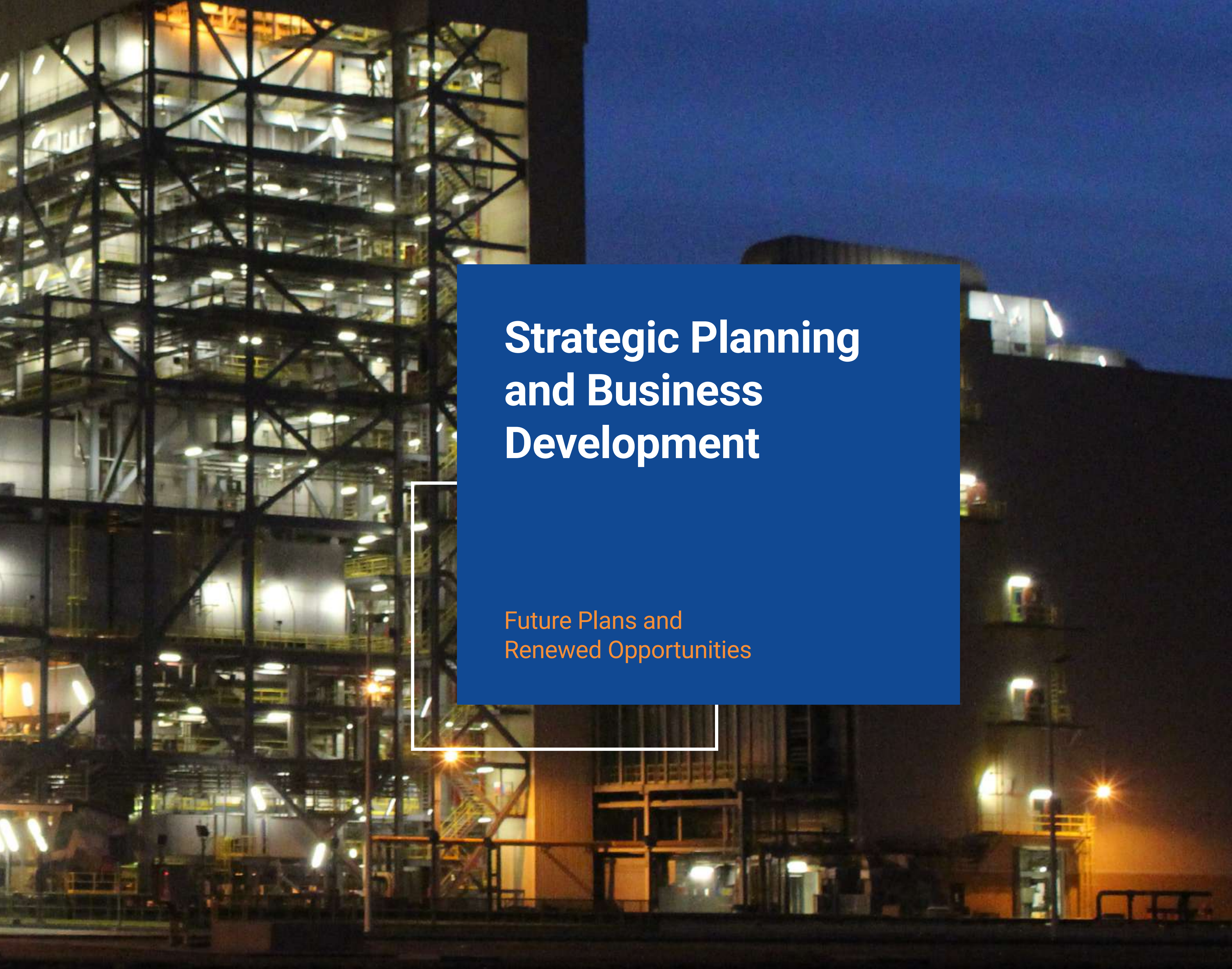
Connecting **384,917** New Customers

8.8 million Smart Meters

24,129 New Transformers for 69 kV and below

31,812 km-circular Overhead Networks and Underground Cables for 69 kV and Below


DILIGENTLY SERVING YOU
اكتشف
DISCOVER



Strategic Planning and Business Development

Future Plans and
Renewed Opportunities

Strategic Planning and Business Development

Future Plans and Expectations

In light of the steady growth of the national economy and the expansion of all aspects of life in the Kingdom, the company aims to meet this expansion in demand and to achieve, by the end of 2023, the following:

- To add new generating capacity by about 8,203 MW, within the private sector participation program, to increase generating capacity to meet future loads.
- To add transmission lines of 5,402 km-circular and 86 transmission substations.
- Deliver electricity services to about one million new customers by the end of 2023, which will bring the total of customers to 11 million customers.
- To strengthen the distribution networks by adding 126,388 km of transmission lines.

Through its development programs, the company seeks to raise the efficiency of employees and provide them with the necessary training to perform their jobs efficiently and effectively. A 2.1% increase in training days is expected by the end of 2023. Within the framework of the company's program for job localization and community service, the company will maintain a localization rate of 92.5%.

Strategic Initiatives

The company will continue to leverage performance efficiency efforts, improve productivity and bring the company's performance indicators to the benchmark performance rates of the world's best energy companies. Among the most prominent achievements of the company was the following:

Reducing the diesel consumption of power plants by approximately 69 million barrels equivalent corresponding to SR 2,305 million at domestic prices and SR 11,424 million at international prices from 2015 until 2020.

Installing 8.8 million smart meters as part of the company's efforts to improve the customer services and digital transformation in 2020.

Issuing Green Sukuks to use their revenues in environmentally friendly projects by adopting environmental, community and governance standards to expand environmentally friendly debt instruments in 2020.

Developing New Businesses

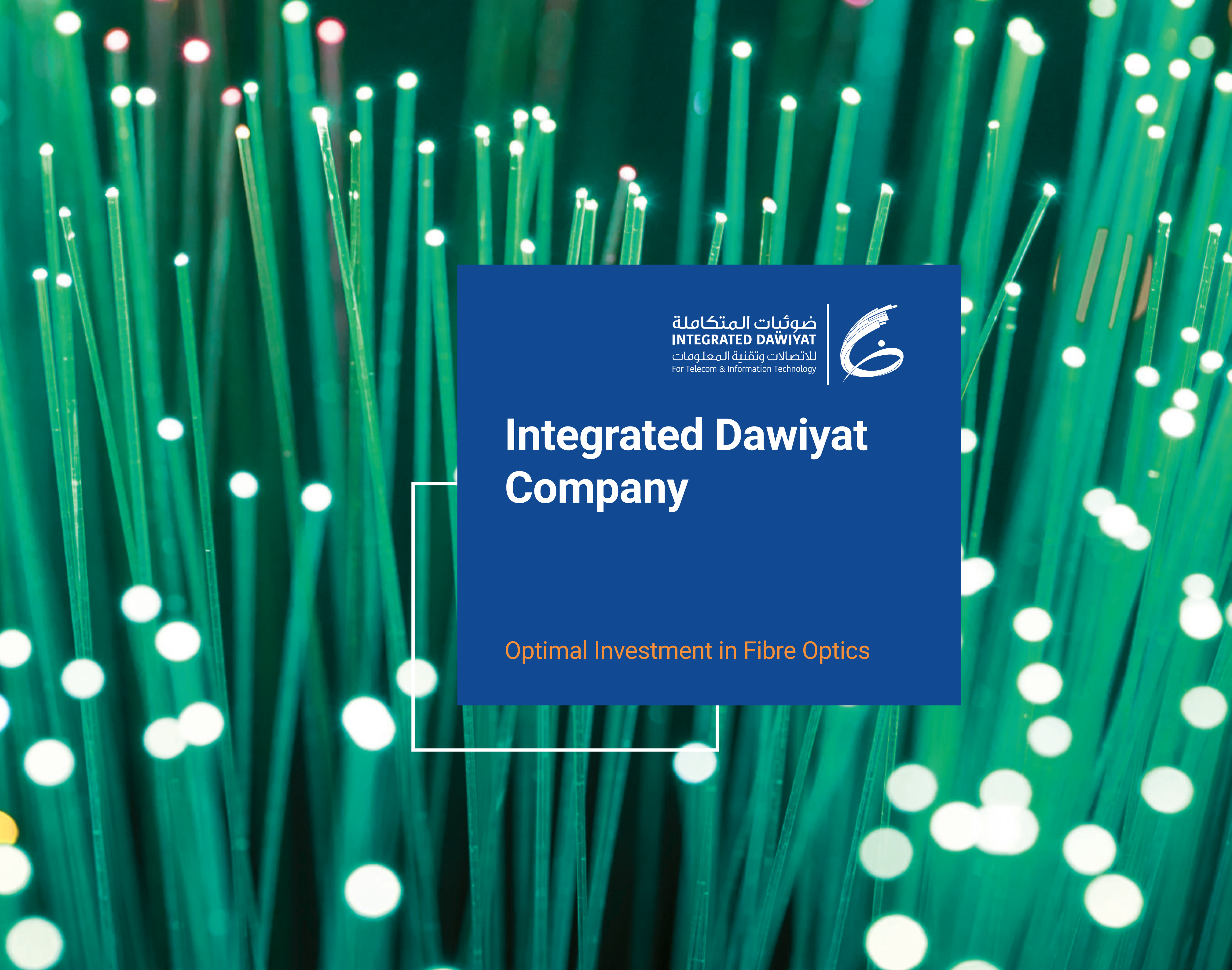
In the field of business development, the Saudi Electricity Company has worked towards establishing the New Business Development sector to be the investment arm through which the company aims to increase its share of non-regulated revenues. Work is being carried out on the study of 36 investment opportunities in various fields in order to obtain the best utilization of the company's assets and to provide outstanding service to the customer.

Research, Development and Innovation

In the field of research, development and innovation, 35 research projects were implemented through 4 specialized research groups in the fields of renewable energy and energy storage, generation and fuel efficiency, transmission and digital simulation, distribution and smart grids, with the contribution of 27 local and international strategic partners from universities, institutes and research centers. Moreover, prototypes of 8 innovative products were manufactured with strategic partners, and negotiations are under way to manufacture 3 innovative products for field testing. A number of new innovative projects are also being developed, bringing the total number of incubated projects to 9 innovative projects.

Some of the most notable achievements in research, development and innovation in 2020

- Participating in the National Committee to prepare the infrastructure requirements for Electric Vehicle Chargers in Saudi Arabia under the leadership of the Ministry of Energy by completing 3 studies and research projects related to electric vehicles' charging and their impact on the electrical network and infrastructure requirements of electric chargers, in collaboration with research strategic partners from inside and outside the Kingdom such as Tokyo Electric Power Company, King Abdulaziz City for Science and Technology, and the Electric Power Research Institute.
- Deploying the research project for smart monitoring and supporting decision-making in cooperation with King Abdulaziz City for Science and Technology.
- Completing the research work on cooling systems with sorption technology in partnership with King Abdulaziz City for Science and Technology and preparation of pilot projects in the same field in cooperation with the Saudi Technology Development and Investment Company "TAQNIA", the Polish Company Net District Cooling (NDC), and King Abdulaziz City for Science and Technology.
- Applying to compete for the King Abdullah City for Atomic and Renewable Energy's grant for 4 research projects aiming to enhance the localization of technology from research outcomes.
- Benefiting from training programs derived from research outcomes and the latest technologies in the fields of electric power in cooperation with the human resources development sector in association with the Electrical Power Research Institute in the United States of America.
- Completing the technical studies phase of the project to provide comprehensive consultancy services with direct financial returns to the Saudi Electricity Company with a total value of SR 20 million in cooperation with the Saudi Electricity Company for Projects Development in order to execute the projects of Dynamic Reactive Power Compensation in the Kingdom of Bahrain.
- Providing engineering consultancy services and technical studies with direct financial returns to the Saudi Electricity Company, a revenue of SR 900,000 in cooperation with the Saudi Electricity Company for Projects Development in order to execute the projects of Dynamic Reactive Power Compensation in Egypt and Sudan.
- Signing with Sandia Laboratories in the United States of America for a grant of US$100,000 to support the use of solid particles to store heat and generate electricity by concentrating the sun on the sand to produce electricity and entering into a global competition for an additional grant of US$600,000 if this technology wins over the rest of the competing technologies.
- Subscribing in 12 research projects with the Electric Power Research Institute (EPRI) in the United States of America to support the efficiency of operational processes in the electrical system: (generation, transmission, and distribution).
- Participating in 21 virtual workshops via video communication held by the Electrical Power Research Institute in the United States of America, with a total of 7,400 participants from 360 companies of electric service providers' utilities worldwide to discuss global best practices on the effects of the COVID-19 pandemic on the electrical power sector globally.
- Receiving the annual award from the Electric Power Research Institute (EPRI) in the United States of America for the best technology transfer research project across all energy companies in the world.



ضوئيات المتكاملة
INTEGRATED DAWIYAT
للاتصالات وتقنية المعلومات
For Telecom & Information Technology

Integrated Dawiyat Company

Optimal Investment in Fibre Optics

Integrated Dawiyat Company for Telecom and Information Technology

It is a telecommunications and information technology company wholly-owned by the Saudi Electricity Company. It was founded with the aim of achieving optimal investment in the company's resources in the field of company-owned fiber optic systems covering more than 118 thousand kilometers throughout the Kingdom including villages, hamlets, and borders and to use them to provide integrated telecom services and improve the quality and speed of the Internet in the Kingdom, in an effort to achieve the Kingdom's Vision 2030 which included many initiatives in this aspect, most notably the initiative of broadband deployment with Fiber-To-The-Home (FTTH) technology.

Dawiyat Company establishes, leases, manages and operates optical fiber networks owned by the Saudi Electricity Company in order to provide telecommunications services, provide data transmission services, establish and lease communication towers and establish international crossing gateways as soon as they are licensed, and pass all forms of communication, in accordance with the licenses issued by the competent authorities authorized to do so. In order to achieve its objectives, the company may carry out all work related to its activities such as selling, buying, leasing and renting of fixed and movable assets, including all kinds of communication networks.

Tasks of Integrated Dawiyat Company

Recognizing the opportunities and challenges facing Integrated Dawiyat Company for Telecommunications and Information Technology and to achieve the company's objectives and optimal investment, an agreement was signed in 2017 with the Ministry of Communications and Information Technology for the deployment of broadband optical fiber in urban areas, and Dawiyat was consigned to connect the fiber optics to 744,500 households from that initiative and with government subsidy estimated at SR 2.08 billion.

On the basis of this agreement, the Communications and Information Technology Commission granted Dawiyat Company a license to provide infrastructure wholesale services, which entitles Integrated Dawiyat for Telecommunications and Information Technology to provide wholesale services for telecommunications infrastructure within the following services:

- Towers and masts, small cells, distributed antenna systems, internal solutions, and wireless access points, dark fibers and culverts, including the provision of interconnection services for tower sites or active fixed access services, wholesale services for active fixed data links, including active fixed access services.

In this context, Integrated Dawiyat started implementing the project of the initiative to deploy broadband fiber based on the agreement with the Ministry of Communications and Information Technology.

In partnership with telecommunications companies (service providers), Integrated Dawiyat Company plans to open channels of communication and understanding with several entities and telecommunications companies to provide telecommunications services, and reciprocal marketing services for businesses and individuals. To achieve this, the following work has been completed:

- Despite the exceptional circumstances experienced by the telecommunications sector in 2020, the company was able to realize several achievements, that have led to an unprecedented success story by making the service available to about 508 thousand households since the start of the project. We are proud of the results achieved that exceeded our targets within a fruitful national partnership between the public and private sectors.
- Government Subsidy through the Broadband Deployment Initiative:

Receipt of government subsidy amounting to SR 1,152 million from the value of the Broadband Deployment Initiative agreement.

Issuing of purchase orders to connect the FTTH network to 596,227 households with due government subsidy totalling SR 1,657,684,662 from the beginning of the project until the end of 2020.

Receipt of achievement certificates with government subsidy of SR 1,151,675,200 since the beginning of the project until the end of 2020.

A unified agreement was signed under the sponsorship of the Communications and Information Technology Commission to sell optical fiber services to 508,050 households with Zain, Integrated Telecom Company, Saudi Telecom Company, Etihad Etisalat Company (Mobily) and Atheeb Company.

- Connecting a total amount of 508 thousand households since the start of the project, allowing the provision of service to about 10% of all families in the Kingdom as follows:
  - » 349 thousand households in cities with more than one million inhabitants.
  - » 132 thousand households in cities with a population between 100,000 and one million.
  - » 27 thousand households in cities with a population of less than 100 thousand.
- Signing of an agreement for "providing wholesale bitstream services using the optical fiber network with local service providers": Integrated Dawiyat Company for Communications and Information Technology ("Integrated Dawiyat Company") signed an agreement "to provide wholesale bitstream services using the Optical fiber network with the following local service providers":
  - » Saudi Telecom Company STC
  - » Etihad Etisalat Company – Mobily

   » Integrated Communications Company ITC
   » Etihad Atheeb GO Company
   » Saudi Mobile Telecommunication Company (Zain)

- As of Wednesday, 1/7/2020, Integrated Dawiyat Company for Communications and Information Technology announced its readiness to open the company's fiber optic network. This step will enable Integrated Dawiyat to allow the use of Fiber to the Home (FTTH) network in a neutral manner to all telecommunications service providers in the Kingdom, giving the end user the possibility of requesting the service by its preferred service provider directly through the most advanced and fastest Integrated Dawiyat network in the Kingdom. This contributes to an increase in the number of customers, which in turn will lead to growth in revenues that increase the company's profits.

- Signing a minutes of agreement for the approval and handover of communications infrastructure in new residential schemes with the Communications and Information Technology Commission (CITC):
  The Communications and Information Technology Commission, in cooperation with the Ministry of Municipal and Rural Affairs, launched an initiative to regulate the handover of communications infrastructure that is implemented in all new residential schemes projects within the National Growth Centers, in 27 cities, approved by the Ministry of Municipal and Rural Affairs. Integrated Dawiyat Company has been authorized by CITC for accreditation and handover of the communications infrastructure. Integrated Dawiyat Company will install communications equipment and devices in the same schemes and provide wholesale bitstream services to telecommunications service providers in the Kingdom using the fiber optic network. As a result, the end user can request the service from his preferred service provider.

- Signing Memorandum of Understanding with a group of real estate developers to implement communications infrastructure in new residential schemes.

- Obtaining a license to provide services of the Internet of Things Virtual Network Operator (IoT-VNO) from the Communications and Information Technology Commission (CITC), as the company will launch Internet of things services in the Kingdom, the most important of which are the Smart Cities services.

- Launching the third-class data center at King Abdullah University of Science and Technology.

- Implementing the initiative to deploy the broadband with FTTH technology until the end of the 4th quarter of 2020.

- The exceptional challenges and circumstances that Dawiyat faced in the field of sales and marketing during the current COVID-19 pandemic played a major role in influencing the potential to achieve the expected revenues. Therefore, based on these repercussions, the commercial team worked on developing innovative business models and adopted mechanisms to ensure overcoming these challenges in managing business, setting priorities and dealing with customer requirements to achieve the 2020 targeted revenues.

- Building business partnerships in cooperation with telecommunications companies to enable the financial sector, banking services and the private sector, and work to attract new partnerships. As a result, the percentage of partnerships increased by 40% and the total value of new purchase orders amounted to SR 29 million. Among the most distinguished of these new partnerships, during the year 2020, are the Saudi British Bank and Saudi Payments affiliate of Saudi Arabian Monetary Agency and Saudi Detecon.

- An increase in the capacities provided by more than 60% compared to the previous year for the capacities provided within business partnerships in cooperation with telecommunications companies of more than 15 GB during the year 2020.

- Activating a joint cooperation agreement with the Ministry of Communications and Information Technology to implement the digital communications infrastructure initiative for industrial cities (MODON) and start sales operations within the industrial cities, where connectivity services were sold to 10 factories within the industrial cities through Zain, Integrated Communications Company (ITC) and Atheeb Telecom. The pace of sales is being accelerated for the largest possible number of factories located in the five industrial cities.

118 Thousand kilometers of fiber optics

508 Thousand households connected to fiber optics

40% Increase in partnersips percentage

60% Increase in capacities

- Integrated Dawiyat has reached a detailed commercial agreement (for a period of ten years) related to the joint framework between Integrated Dawiyat Company and King Salman Energy City, in order to operate, maintain, market and sell the communication infrastructure of King Salman Energy City “SPARK”, in addition to providing smart city services to the city.

- Following the success of Integrated Dawiyat Company in qualifying to participate in the alliance of ACWA Power in 2019 and to become the preferred and possible communications and information technology arm in the Red Sea project, thus providing services for design, construction and operation of the infrastructure facilities of the Red Sea Project Services, in 2020, praise Allah, the alliance led by ACWA Power won the project of building and developing the infrastructure for the Red Sea.

- Following several months of discussion starting in February 2020, Dawiyat Integrated has reached an initial, non-binding understanding with Google to lease approximately 10,000 km fiber network for 15 years to Google and to Raman Consortium (a subsea cable consortium led by Google). The network to be leased to Google will be in part to support the backbone of Google Cloud in which Google is partnering with Aramco to launch the service in the Kingdom. Dawiyat Integrated is partnering with a licensed facility-based operator in delivering the services to Google and Raman. The collaboration is now in its final stages of contracts review by the involved parties, with corresponding Agreements expected to be signed within this year 2021.

- On December 10, 2020, Dawiyat submitted the application for the licensing of Mobile Virtual Network Operator (MVNO) Services to Communication and Information Technology Commission in accordance with the Rules and Conditions of the subject license.

- As part of the Corporate Social Responsibility, Integrated Dawiyat provided discounts to Telecommunications companies to enable them to provide lucrative promotions for broadband services over fiber optics to the public, in support of the education sector, in light of the continuing remote learning that the COVID-19 pandemic imposed.

المشتري الرئيس
PRINCIPAL BUYER
طاقة للغد

Saudi Power Procurement Company

(Principal Buyer)

Continuous Preparations Towards an Open and Competitive Electricity Market

Saudi Power Procurement Company

The Saudi Power Procurement Company (SPPC) "Principal Buyer" is a wholly-owned limited liability company under Saudi Electricity Company (SEC). The company comprises of four main regulatory units:

- The trading sector
- The independent production and renewable energy sector
- The agreements and fuel supply sector
- The financial sector and support services as well as legal affairs.

Since its inception's approval, the company has been completing the requirements of its establishment with the relevant government agencies.

Tasks of the company

Capacity management, electrical energy trading and development and establishment of new partnerships, renewable energy projects, the independent production and monitoring of their implementation, the management of trade agreements for the sale and purchase of energy, the provision of fuel and the efficiency of its use, and the participation with regulators in establishing and developing the electrical power market. The license issued by the Water and Electricity Regulatory Authority included the purchase by the Principal Buyer of the contracts for the purchase and sale of energy and fuel supply agreements currently concluded with the Saudi Electricity Company. Until the transfer of the agreements from the Saudi Electricity Company to the Saudi Power Procurement Company is completed, the company manages these agreements on behalf of the Saudi Electricity Company.

The company's main activities and achievements

The independent production projects under development and implementation are as follows:

- **The Saudi Electricity Company entered into a cogeneration partnership with Saudi Aramco to develop Al-Fadhili plant for dual production (electricity and steam)** with a capacity of 1,504 MW in 2017, and the commercial operation of the plant started in March 2020.

- **The Layla Al-Aflaj solar power plant project** is the first independent energy production project developed in the Kingdom that operates on solar-powered production system and is directly linked to the 10 MW electric grid. It is the result of a joint agreement and effort with King Abdulaziz City for Science and Technology and the Saudi Technology Development and Investment Company (TAQNIA). The installation and construction of the project have been completed and the project is being connected to the network.

- **The 300 MW Sakaka solar power plant project** was signed on February 14, 2018 with the project company: Sakaka Solar Energy Company, a subsidiary of the developers Aqua Power Saudi Arabia with the participation of Al-Gihaz Saudi Company. The project agreements include a requirement stipulating that the proportion of local content and localization of services and materials should be at least 30% of the project's construction costs. The commercial initial operation of the project started at the end of 2019, while the commercial operation started in June 2020.

- **The 400 MW Dumat Al-Jandal wind power plant project** was signed in March 2019 with the project's company Dumat Al-Jandal Wind Co. for Energy LLC, a subsidiary of the French company EDF Renewables and the Emirates Company: Masdar, and work is under way on the installations and construction of the project, with the commercial operation of the project set to start in 2022.

The following table shows the planned and under implementation projects of the Private Sector Participation in the Electricity production:

13,414 Megawatts	Projects of the private sector participation program in electricity production
1,470 Megawatts	Projects of the National Program's Second Phase

Project name	Production capacity of the project (Megawatt)	Investment of the private sector in the project's capital	Completion date of the project
Al-Fadhili Cogeneration Plant Project in cooperation with Saudi Aramco Company (Project under implementation)	1,504	40%	2020
Jazan Cogeneration Plant Project in cooperation with Saudi Aramco Company, and the Company is the energy buyer (Planned)	2,000	100%	2021
The Layla Al-Aflaj Solar Power Plant Project (Project under implementation)	10	100%	2021
Sakaka Solar Power Plant Project (Project under implementation)	300	100%	2020
Dumat Al-Jandal Solar Power Plant Project (Project under implementation)	400	100%	2022
Sudair Solar Power Plant Project (Planned)	1,500	100%	2024
North Qassim Power Generation Plant Project (Planned)	3,600	100%	2025
Taibah Power Generation Plant Project (Planned)	3,600	100%	2024

Interest in renewable energy

To complement the company's interest in renewable energy sources following the signing of the 300 MW energy purchase agreement with Sakaka Solar Power company in 2018, an agreement to purchase power for another project was signed in 2019 for a new type of renewable energy: It is the Dumat Al-Jandal wind power project with an electric capacity reaching 400 MW for 20 years. It is expected to become commercially operational in 2022.

Projects of the National Renewable Energy Program Second Phase

The second phase of the National Renewable Energy Program aims to develop 6 renewable energy projects with a total capacity of about 1.47 GW, which have been submitted to qualified developers, and the tenders have been received and evaluated. Projects include two categories (A, B) as described in the following table, which are classified into 2 projects under category A with capacity less than 100 MW, and 4 projects with capacity greater than 100 MW under Category B.

Negotiations are ongoing with the Public Investment Fund (PIF) for the development of 1,500 MW Sudair Solar Project on the basis of Royal Decree No. 5629 issued on 27/1/1441H, which approved the award of the Sudair project to the Public Investment Fund. The RFP was released in December 2019 and commercial operation is expected by 2024.

Project name	Production capacity of the project (Megawatt)	Investment of the private sector in the project's capital	Completion date of the project
Category A			
Rafha Solar Power Plant Project	20	100%	2022
Al Madina Solar Power Plant Project	50	100%	2022
Category B			
Al-Shuaibah Solar Power Plant Project	600	100%	2023
Jeddah Solar Power Plant Project	300	100%	2023
Rabigh Solar Power Plant Project	300	100%	2023
Al Qurayyat Solar Power Plant Project	200	100%	2022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PDC

شركة كهرباء السعودية لتطوير المشاريع

SE Projects Development Company

Saudi Electricity Company for Projects Development

Enhanced Power Generation and Transmission Capabilities

Saudi Electricity Company for Projects Development

The Saudi Electricity Company for Projects Development is a wholly-owned limited liability subsidiary of the Saudi Electricity Company established on 12/09/1436H. It is considered the engineering arm of SEC that design, manage, supervise and implement its projects, as well as the larger customers' projects outside the company. It also works on the localization of engineering and digital expertise of the company's employees and to reduce its capital costs.

Company's Tasks

Engineering and design of electricity generation and transmission projects and supervising their implementation according to the engineering specifications and quality applied by the company, including cost and schedules monitoring, and maintaining environmental and social requirements and the safety of employees. The company is also involved and interested in creative ideas and their development to improve performance effectiveness.

The Saudi Electricity Company for Projects Development seeks to develop projects that depend on the efforts of specialized and qualified cadres of Saudis who have the experience, knowledge and ability to lead the work in the future to meet the different needs of the company, as well as the needs of the electricity sector in the Kingdom, where the percentage of Saudization reached 90%. The company also envisions competing for projects tendered in the local and international markets.

The Company's Main Activities

Supervising the execution of 4 projects to enhance the generation capacity at a cost exceeding SR 20 billion , with a total capacity of 5,489 MW.

Tendering, awarding and signing new transmission projects for 83 projects with an allocated budget of SR 13.6 billion to improve the performance efficiency of the transmission network along with enhancing its reliability and stability.

A number of 370 projects are under execution to enhance transmission network capacity with contractual cost of more than SR 39 billion.

Contributing to the execution of energy projects within "Vision 2030", such as connecting renewable energy projects to the grid to achieve the National Renewable Energy Program, The Qiddiya project, Al-Masar Sport project, NEOM project and Amaala project.

The Company's Main achievements in 2020

- Enhance generation capacity by operating 4 generating units with a total generation capacity of 776 MW in PP14 project.
- Six generating units has been converted to work on raw fuel instead of diesel, which will decrease the consumption of diesel fuel.
- The operation of the inlet air cooling system in the Waad Al-Shamal project, which in turn will increase the production of gas units by 80 MW and increase their efficiency.
- Operation of the Rabigh-2 pier, which in turn will increase the fuel discharge capacity and reduce its transportation costs.

- Enhance the transmission networks' capacity by energizing substations and transmission lines projects through more than 112 projects, including 28 new substations and expanding 5 existing substations with a total transformation capacity of 12,015 MVA and connecting them to the network via overhead lines and underground cables with a total length of 2,905 km-circular.

- 48 transmission projects were signed with total actual value amounting to SR 4,026 million, with total network lengths of 2,044.48 km-circular and total transformer capacity of 8,052 MVA. In addition, 71 new transmission projects were tendering including 43 projects for SEC and 28 projects funded by large customers.

- Signing a contract to provide consultancy and engineering services to the Egyptian Electricity Transmission Company for the project of constructing compensators (STATCOM) at Sharq El Owainat Substation in the Arab Republic of Egypt.

- Achieving the 5-STAR ranking in the developed safety management system in PP14 power plant project which comply with the requirements of ISO 45001.

- Achieving 32 million hours of work without any time-wasting injuries in PP14 project.

- In 2020, the Saudi Electricity Company for Projects Development achieved environmental compatibility with a rate of 97.47% in accordance with the requirements of the General Environmental Regulations issued by the General Authority of Meteorology and Environment Protection.

- Develop the work of the risk management strategies department to identify and assess the internal and external risks facing the company's business.

- Executing and energizing the connection project of Sakaka 300 MW solar plant as the first renewable energy project connected to the grid.

Enhancing Generation Capacity for **4** Projects

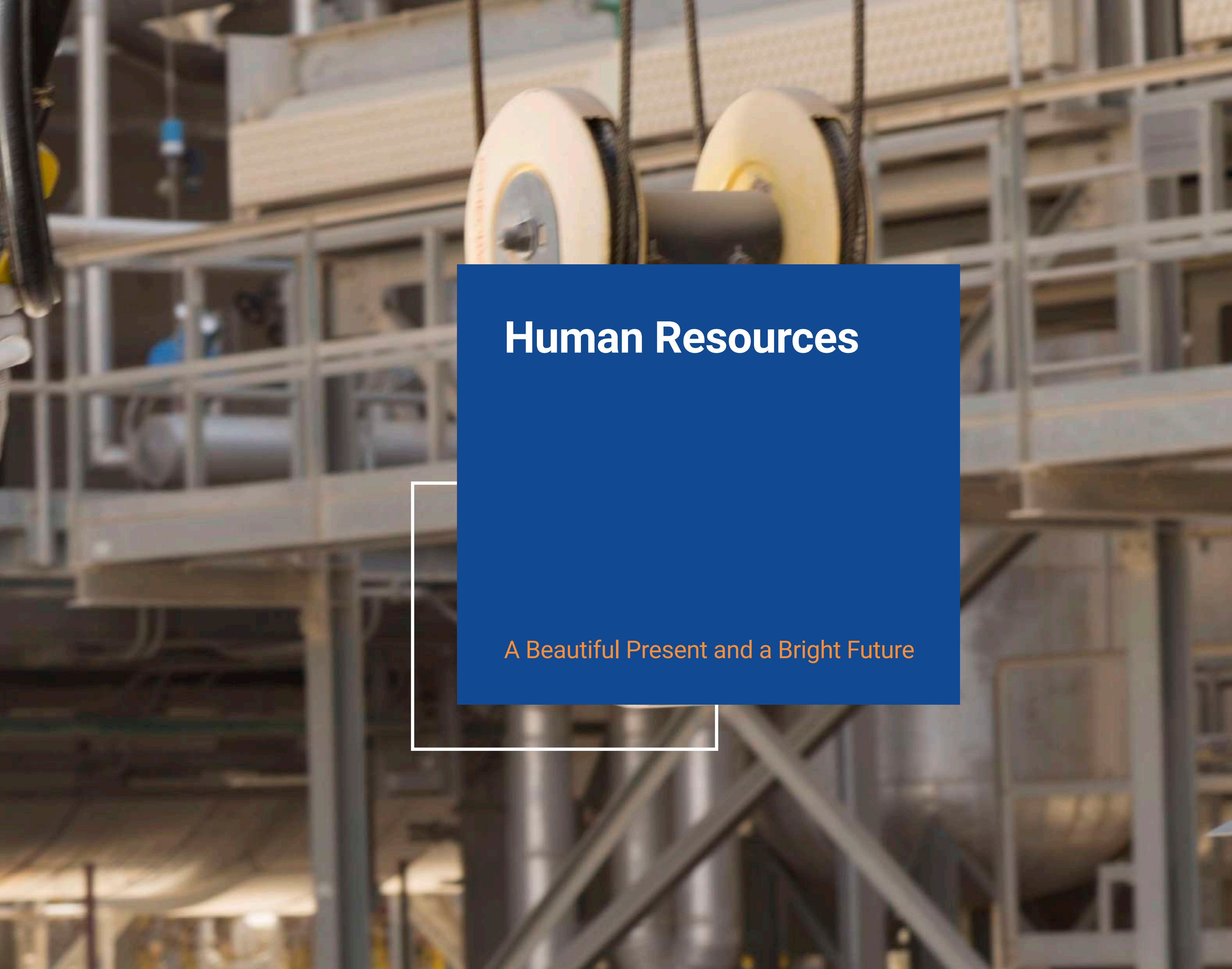
83 New Transmission Projects within all Development phases

Generation and Transmission Projects under execution **374** Projects

5-STAR Ranking in the Developed Safety Management System in PP14 Project

32 million work hours without any time-wasting injuries in PP14 project

97.47% in Environmental Compatibility



Human Resources

A Beautiful Present and a Bright Future

Human Resources

The aim of the Human Resources business line is to be its clients' first partner to create a distinct and competitive working environment in the labor market that will attract, develop and stabilize high-quality skills.

International Awards

The Saudi Electricity Company won two international awards that enhanced the mental image of the company as follows:

- Best Creative Idea Award 2020 – Productivity Category, from Ideas Arabia, Dubai.
- Judges Special Achievement Award for Creative Ideas – Technical Category in the British Ideas Competition, organized by the British Ideas Organization (IdeasUK).

Quality and Corporate Excellence Programs

- The company's Employee Creativity Program "Ibdaa" was awarded the Platinum accreditation from the British Ideas Organization (IdeasUK) as the first Saudi company to obtain this accreditation which is considered the highest awarded by the Organization for Innovation Programs implemented by companies and organizations. This accreditation resulted from the Organization's review and audit of all procedures, processes and regulations of the program.

- As part of the company's commitment to the standards of corporate excellence in its methodology and businesses, the company received three certificates of corporate excellence at the level of R4E 3 Star from the European Foundation for Quality Management (EFQM) in three sectors as follows:
  - » Distribution and customer service sector, SOA.
  - » Industrial security sector.
  - » Human resources development sector.

- During 2020, the company's quality programs achieved (financial savings/avoided financial loss) estimated at SR 543 million through the application of recommendations of improvement studies and suggestions of the Employee Creativity Program, which enhances the company's culture of quality and creativity.
  - » Number of improvement studies: 250 studies
  - » Number of implemented improvement recommendations: 956 recommendations
  - » Number of submitted creative proposals: 4,200 proposals.
  - » Number of accepted creative proposals: 836 proposals.
  - » Number of recipients of Employee of the Month award: 2,254 employee.
  - » Number of recipients of Employee of the Year award: 292 employee.

ISO Certificates

- On September 3rd, 2020, the Leadership and Talent Development Department received the ISO 9001 Certificate for the year 2015 (ISO 9001:2015) from the international specialized company, Intertek, which allowed the Department to obtain a quality license certified by the United Kingdom Accreditation Service (UKAS).

- The Human Resources Development Sector received the (ISO 9001:2015) certificate for the conformity of a full range of the business line's operations with ISO requirements.

- The Training and Business Development Services Department has obtained an extension of the validity of the ISO: 29990:2020 and 29993:2017 certificates for another new year.

Elite Program

The Saudi Electricity Company was selected within the Elite Program of the Ministry of Labor as a result of its efforts in the Saudization field, where the percentage of localization of jobs in the company exceeded 93% of the total workforce.

The Workforce Strategic Orientation

- In line with the company's strategic direction towards enhancing efficiency and increasing workforce productivity, the total workforce reached 33,437 employees by the end of 2020, with a 93% increase in Saudization.

- The company continued its implementation of the workforce studies within the company's business lines, where it adopted an operations' framework with the participation of more than 300 operations experts by implementing more than 1,600 operations, executing internal and external reference comparisons, and identifying 74 improvement initiatives aimed at increasing efficiency and productivity.


EFQM

Recognised for Excellence 3 star

Awarded to:

Human Resources Development Sector - Saudi Electricity Company

December 2020

This certificate remains valid for 3 years.

Russell Longmuir
CEO, EFQM


EFQM

Recognised for Excellence 3 star

Awarded to:

Industrial Security Sector
Saudi Electricity Company

December 2020

This certificate remains valid for 3 years.

Russell Longmuir
CEO, EFQM


EFQM

Recognised for Excellence 3 star

Awarded to:

Distribution & Customer Service
Southern Sector
Saudi Electricity Company

December 2020

This certificate remains valid for 3 years.

Russell Longmuir
CEO, EFQM


idea of the year
ideas uk
JUDGES AWARD 2020

Judges Special Achievement
2020 Award
WINNER

Saudi Electricity Company

Reset RTU Remotely

2	International Awards
93%	Localization Percentage
4,200	Creative Proposals
250	Improvement Studies
543 Million Riyals	Financial Savings from Quality Programs
33,437	Employees

Company's Restructuring Projects

To keep up with the Kingdom's Vision 2030 and the electricity sector's transformation strategies, and in order to distribute business, responsibilities and administrative authorities according to the highest degree of professionalism, the restructuring models of organizational units within the Saudi Electricity Company and its subsidiaries were designed and implemented to ensure that the company reaches its strategic goals and objectives efficiently and effectively.

Employees' Engagement

The company's employee engagement rate achieved a notable growth through launching a number of strategic initiatives that contribute to creating a more positive and stimulating work environment for employees, and lead to an increase in their corporate loyalty and raise their satisfaction rates, which reflects positively on the company's performance.

The Executive Leadership Development Center (ELDC)

The ELDC is a well-established center that helps to prepare targeted leaders and those who have leadership potential to assume future leadership positions with bigger scope of responsibility in the company, insuring a healthy pipeline for succession planning.

- Cooperated with RBL Global Leadership Development Foundation to train 78 targeted talent program participants in 2020.
- Developed 273 targeted leaders by offering 15 workshops within the programs provided by the Executive Leadership Development Centre to ensure having qualified leaders that will achieve the company's goals.
- Prepared and presented 25 workshops to promote career integration in the presence of 139 leaders.
- The number of training hours reached 17,071 hours and was provided by the trainers of the Executive Leadership Development Center.
- Collaborated with one of the world's finest management institutes, the International Institute for Management Development (IMD) to design and implement remote training courses for 47 of the company's targeted leaders.

Training and Development

- In 2020, the company implemented its development programs that included employee enrollment in internal and external courses, where the total number of participants in short face-to-face developmental courses reached 5,465, with a total of 19,662 training days. Moreover, the number of remote participations during the COVID-19 pandemic reached 15,001, with a total of 50,944 training days. The satisfaction rate of participants in the internal courses reached 92.43%.
- The company achieved a 5-star rating with an average rate of 96.3% in the evaluation of the occupational safety and health management system, at the level of training institutes (Riyadh, Jeddah, Dammam, Abha).
- The development, design and implementation of the self-sustaining program (design and installation of the solar cell system), and training and accreditation of 81 technicians and engineers from the Distribution and Subscriber Services business line.
- 2,818 tests were carried out on the company's employees to determine their English level.
- With the aim of optimizing the company's human resources, the needs of the rehabilitation program and skill upgrading were studied and analyzed for 222 employees of the Generation and Distribution business lines and the National Grid SA.
- The company launched its first program for the development of talented technicians, which includes the implementation of specialized technical development, behavioral and English language workshops.
- The number of graduates from the on-the-job program reached 400 graduates.
- The development of training and meetings rooms, training theatres in Dammam, Riyadh and Jeddah and installation of visual systems with large and state-of-the-art screens (video wall system).
- Development of workshops with the latest equipment and simulators in the smart meters fields: (GIS) Gas Insulated Switchgear - maintenance, Distribution Automation System (DAS), Substation Automation System (SAS) and GIS Operation Simulator, Advanced Protection and Dispatch Power Center.
- Achieved total revenues of SR 12,197,923 through investment training.
- The completion rate of the development plans for the company's employees reached 99.4%.
- The company's employees attended 85 seminars (technical/safety/management) in cooperation with international and local companies with more than 5,848 participants.
- Designed and developed 15 interactive electronic content to be included in the self-learning system "I'm learning".
- Launched a system to receive applications for offering technical qualification certificates to the contractors' workforce.

Services provided to employees

- The Saudi Electricity Company provides healthcare services to its employees and family members (wife, children and parents) by insuring them through the contract signed with The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company (MEDGULF), which has been renewed for the year 2021 to continue to provide insurance services that offer high benefits and advantages.
- The opening of a medical clinic at the head office to provide health services to the company's employees through a contract signed with a medical authority which operates the clinic and offers emergency, internal and dental medicine, with the provision of ambulance services for emergencies, in addition to scheduling the visits of consultants in different specialties.
- Since 2008, the company has launched a system of savings and investment aimed at attracting and maintaining talent to continue serving the company by motivating and encouraging them to save their money and invest it in a safe way that will ensure an increase in their income and guarantees them a future social life at the end of their relationship with the company either for retirement or for any other reason. The percentage of beneficiaries offered this savings program increased by 6.7% to reach a total of 15,210 beneficiaries by the end of 2020.
- For the twelfth year, the company has continued to provide the Housing Loan program for the Saudi employees through the banks in accordance with the program's regulations in a format compatible with the provisions of the Islamic Law (Murabaha) with the company's contribution bearing 70% of the profit margin. The company's contribution stops at the employee's end of service for any reason. The total number of beneficiaries reached 5,735 by the end of 2020.
- The Saudi Electricity Company placed a high priority and attention on spreading and promoting mental and social health in the working environment and raising job satisfaction, which contributes to increasing the productivity of the company's employees by understanding the nature of psychological and social problems and helping to treat them, by working on preventive programs with the aim of maintaining human resources and achieving a healthy and sustainable working environment, and developing a spirit of loyalty and effective communication between the company and its employees.

Social Responsibility

- Holding 6 health and safety workshops for the employees' families (remotely) for 824 participants with an average satisfaction rate of 96.2%.
- The Executive Leadership Development Center collaborated with Boston Consulting Group to provide an internal course entitled "Critical Conversation Tools" to a group of elite Saudi university students (25 students) to develop and prepare them for success in the career world.
- Offering collaborative training for 615 students.

78 Graduates from The Executive Leadership Development Center

Investment Training's Revenues 12,197,923 Riyals

400 On the Job Training Graduates

615 Students in Collaborative Training

1,013 Participants in Benchmarking Tests




Supply Chain and Local Content

Strategic Partnerships and Continuous Improvement in Customer Service

Supply Chain and Local Content

Effective and reliable management of the supply chain to create added value to our customers through strategic partnerships, operational efficiency, continuous improvement and excellence in customer service. The volume of operations managed in the supply chain in 2020 (issue, receive, transfer, return) registered more than 4.8 million warehouse movements across the Kingdom, thus maintaining a high service level of 97.4%.

بناء وتوظيف القدرات الوطنية
Build & Employ National Abilities

One of the most significant achievements in 2020 was its contribution in achieving the objectives of the Kingdom's Vision 2030 and the company's strategic objectives by localizing the electrical industries through implementing the "Build and Employ National Abilities (BENA)" program on the company's purchases and contracts. The baseline for local content for the company's projects and contracts was implemented in August 2020 to support the localization of the workforce, materials and services in the company's projects.

The "BENA" program is based on three major initiatives: the first related to the development of policies and procedures that support and motivate local manufacturers and contractors. The second initiative is related to the support and motivation of small and medium-sized enterprises by calculating a price preferred rate compatible with the percentage of local content, measured by the compensation paid to local employees and the level of Saudi employees' development, as well as the development of local suppliers and expenses paid on research and development and on local goods and services and annual depreciation, in addition to giving an additional incentive for exporting outside the Kingdom. The third initiative focuses on identifying the potential localization investment opportunities for the industries and services to attract the investors. As a result, two Investment Opportunities Booklets have been issued: The industrial investment opportunities booklet, which includes more than 250 opportunities. The second one is the investment opportunities booklet for services, which includes 86 opportunities. A baseline for local content has been also applied for capital projects in generation, distribution and transmission.

The purchase rate from Saudi factories amounted to 67% of the company's total direct purchases from the spare parts and materials, where the number of national factories registered in the company's systems reached 620 factories. This rate is one of the highest among local companies in the Kingdom of Saudi Arabia.

One of the most notable achievements is the promotion of local content in the smart meters project by localizing up to 40% of the total quantities estimated at 10 million meters from local factories, in addition to increasing the number of smart meters local factories from 1 to 5 new factories. The Extra High Voltage (EHV) 380 kV cable industry was also localized after opening a new production line that will become the second national certified manufacturer of this product.

We also aspired to achieve the expectations of the company and its shareholders by reducing the value of the company's inventory for 2020 by SR 318 million compared to the actual value of 2019, to reach SR 4.545 billion, by decreasing the value of the company's inventory for the seventh consecutive year by SR 1.83 billion or 29% since the launch of the Strategic Transformation Program until 2020 without affecting the reliability and availability of spare parts and materials in warehouses, with an availability rate of 97.4%.

Achieving savings and financial returns amounting to more than SR 587 million through the supply chain business line:

» **SR 513 million**
Saving from procurement (Contracts and Purchases) through leading sourcing practices and collaborative negotiations promoting antitrust and competition practices, and building trust with trading partners

» **SR 7.8 million**
Savings in repair of the distribution equipment

» **SR 66 million**
Revenue from the sale of discarded items

- Working on a number of technical transformation projects that have contributed to increasing the efficiency of the contractual process, smooth handling of contractors and increasing the satisfaction rate.

67%
Percentage of Purchases from Local Factories

Value of Company's Inventory
4.545
Billion Saudi Riyals

Number of Local Factories
620
Factories

97.4%
Availability Rate

Investment Opportunities
336
Opportunities

4.8
Million Warehouse Movements

520
Contracts

Savings and Financial Returns
587
Million Saudi Riyals


Sales
Sales

Maintaining Safety and Preserving the Environment

Our Environment and Safety
are our Top Priorities

Maintaining Safety and Preserving the Environment

The 5-STAR Occupational Safety and Health Management System

The Occupational Safety and Health Management System aims to guide, train and encourage all employees at all functional levels to reduce and control risks, to reach the best global safety applications. The system is based on risk analysis and continuous improvement by measuring the results of the application of the system. Work has started on the development and adoption of the Occupational Safety and Health Management System to comply with the international requirements of (ISO 45001) standards.

Accident and Injury Indicators

A reduction in injuries for company's employees resulting from workplace accidents was recorded at the Saudi Electricity Company's level by (24%) compared to the same period in 2019.

Planning and Implementation of Executive Safety Committee Meetings and Visits

The Executive Safety Committee (EXCO) made six visits, by using virtual media, for the purpose of visiting the facilities and work sites in the operational areas to ensure the implementation of occupational safety and health requirements by inspecting the sites and issuing corrective decisions to raise the level of safety in the company.

Annual Audit

Implementation of the annual audit on the (5-STAR) Occupational Safety and Health Management System for 47 departments in various business lines, and the company obtained a compliance rating of 88% for the year 2020.

Inspection Visits and Safety Indicators

Implementation of (7,393) safety inspection visits by engineers and safety inspectors in the industrial security sector for all business lines, taking into account all precautionary measures related to the COVID-19 pandemic.

Contractor Suspension Mechanism

The industrial security sector has activated the contractors' suspension program for non-compliance with the requirements of the (5-STAR) Occupational Safety and Health Management System.

The Awareness and Media Aspects

Published (15) safety messages through electronic means in order to raise awareness of the company's employees about the most important safety risks in the workplace, and published also (9) incident bulletins and warnings for the purpose of circulating lessons learned from accidents and taking corrective measures to avoid recurrence.

Training and Awareness Lectures

Completed 84 remote workshops to educate employees and clarify the concepts of the (5-STAR) Occupational Safety and Health Management System (ISO45001). The workshops were attended by 7,920 employees and contractors.

Implementation of the 2020 Safety Competition

Preparing and implementing the safety competition for employees of the Saudi Electricity Company and its subsidiaries. The competition aims at raising awareness and access to the (5-STAR) Occupational Safety and Health Management System which is compatible with the (ISO 45001) standards, and instilling the culture of safety among all employees.

Enhance Communication

Assigning a (444) call center number to directly respond to all (5-STAR) Occupational Safety and Health Management System queries.

Personal Protective Equipment Project

Providing 89 items for personal protective equipment including a number of inspection and measurement devices in the workplace, and clothing from a large number of suppliers, in order to protect the company's employees from risks.

PPE User Guide for 2021– 2022

A PPE User Guide for 2021– 2022 has been prepared for the personal protective equipment and clothing agreements that provide technical information about the product, and other requirements to order these products through the system, in order to assist the different departments in their efforts to obtain their personal protective equipment and clothing needs, which, Allah willing, will ensure the safety of their users from workplace risks on the company's sites.

24% Reduction in injuries resulting from workplace accidents for company's employees

88% Compliance rating in Occupational Safety and Health Management System

7,393 Safety inspection visits

Providing 89 items in personal protective equipment

84 Remote workshops

Preserving the Environment

Despite the significant challenges facing the company to meet the ever-growing demand for electricity and the accompanying environmental impacts at the local and regional levels, the Saudi Electricity Company is committed to minimizing these impacts, and to comply with all environmental laws and regulations required to reduce pollution, protect the environment and public health in a manner that supports sustainable development without compromising the company's obligation to providing its customers with their energy needs.

The company's environmental vision to "be a leader in environmental protection in the Kingdom" is in line with the Kingdom's Vision 2030, and supports the national economy's diversification by reducing dependence on oil and preserving the environment. The company is committed to take on a leadership role in protecting the environment throughout Saudi Arabia through its 2019 updated environmental policy, which promotes clean energy sources, the efficient use of resources, reuse and recycling, waste minimization measures, as well as compliance with all prevailing environmental laws and regulations and contribute to reduce the emissions of greenhouse gases.

Compliance with Environmental Standards

All the company's projects are designed to comply with the prevailing environmental standards which will help achieve compliance with environmental regulations and legislations that contribute to improving the environment in the Kingdom.

In this context, the company monitors the level of compliance with the new Environment Standard and its executive regulations through periodic auditing based on the company's environmental protocol that is compatible with ISO 19011: 2011, which assesses the level of compliance of each site of the company that is subject to audit through these standards. The protocol also identifies cases of non-conformities with environmental requirements and corrective plans, the implementation of awareness and training programs, the preparation of environmental studies and surveys, the establishment of waste management facilities, the installation of Volatile Organic Compounds (VOCs) systems in fuel tanks, the construction of evaporation ponds and hazardous substance tanks, the improvement of the separation of oil and contaminated water systems in the power plants, and the installation of air pollutant emission control systems at generating plants such as sulfur oxides, nitrogen oxides emissions and particulate matters systems.

The company's sites monitor emissions of SO2, NOx, PM10, and PM2.5 from stacks through continuous emission monitoring systems or mobile devices. They also monitor fugitive emissions; control industrial and municipal water discharge; groundwater pollution; environmental noise in the company and the air quality in surrounding areas of the company's facilities; ozone-depleting substances; control and management of hazardous and non-hazardous waste. The company invests large amounts of money to control emissions by using the Low NOx Burner (LNB) combustion system that reduces emissions of nitrogen oxides by up to 60%; the electrostatic precipitators in units operated by heavy fuel to reduce the emission of particulate matter by up to 99%. The company is also investing in Seawater Flue Gas Desulfurization (FGD) modern technology to reduce emissions of sulfur oxides by up to 90% without any liquid or solid waste; chemical treating of wastewater from boilers; separating fuel residues from water reservoirs prior to sending it to evaporation ponds, and controlling the temperature of cooling water drained to the sea within the permissible limits.

Clean Energy

To enhance the reliance on clean electric power, the company has increased its production from high-efficiency combined-cycle, which is based on the use of exhaust heat from gas turbine generating units as a thermal source for boilers instead of burning more fuel. The company's production from the combined-cycle increased from 8.3% in 2010 to 32.1% in 2020, while the use of the simple-cycle decreased from 50% in 2010 to 22.1% in 2020. The total amount of clean energy produced from the combined-cycle reached 58,358 GWH. The company is currently implementing projects to raise the combined-cycle generating capacity by more than 3 Gigawatts in power generation projects of Green Duba, Power Plants 13 and 14, and Waad Al-Shamal.

Since the announcement of the Kingdom's Vision 2030, the Saudi Electricity Company and the Saudi Power Procurement Company have been working closely with the concerned authorities from the Ministry of Energy to develop its plans and initiatives to implement renewable energy projects under the umbrella of Vision 2030, where the program aims to maximize Saudi Arabia's share in renewable energy production. Some of the company's projects in this area are:

The Sakaka Independent Photoelectric Solar Power Plant Project

It is a project with a 300 MW capacity and a record tariff price of 8.781 halalas/kWh established according to the energy purchase agreement signed between the Saudi Power Procurement Company (Principal Buyer) and the Sakaka Solar Power Company. The project will save more than 50 million barrels of diesel during the project's duration, and will reduce the emission of harmful gases by 10.5 million tons of CO_2 emissions. The project has been connected to the grid, and the final commercial operation was announced in cooperation between the Principal Buyer and the project's company in June 2020.

The Layla Al-Aflaj Independent Photoelectric Solar Power Plant Project

It is the first independent solar power plant developed in the Kingdom of Saudi Arabia with a 10 MW capacity in the Al-Aflaj province, and is a result of the energy purchase agreement signed between the Saudi Electricity Company and the Saudi Technology Development and Investment Company – TAQNIA. The project will save more than 800 thousand barrels of diesel during the project's duration, and reduce the emission of harmful gases by 219 thousand tons of carbon dioxide. The initial operation of the project started at the end of 2020. The announcement of commercial operation is expected during the second quarter of 2021.

The Dumat Al-Jandal Wind Power Plant Project

It is a project with a 400 MW capacity and a record tariff price of 7.78 halalas/kWh according to the energy purchase agreement signed between the Saudi Power Procurement Company (Principal Buyer) and Dumat Al-Jandal Wind Power Company, which is a subsidiary of the French developing company, "EDF Renewables", with the Emirates Company "Masdar". The project will save more than 70 million barrels of diesel during the project's duration, and reduce the emission of harmful gases by 19 million tons of CO_2 emissions. The installations and construction of the project is under way and connecting to the network is planned for 2021. The project will be commercially operational in 2022.

Projects of the National Program's Second Phase:

The second phase of the Program aims to develop 6 renewable energy projects with a total capacity of about 1.47 GW.

Sudair Solar Power Plant Project

The project with a 1,500 MW capacity was developed by the Public Investment Fund and ACWA Power. The energy purchase agreement will be with the Saudi Power Procurement Company.

The Saudi Electricity Company has also signed a partnership agreement with Petroleum Chemicals and Mining Company PCMC (Saudi Binladin Group) to establish the Green Saudi Company for Carbon Services, which aims to develop and manage carbon emission reduction programs, and the clean development mechanism projects, and prevent environmental pollution in accordance with international and regional protocols and treaties.

In this context, the company has obtained a program of activities under the United Nations Framework Convention on Climate Change (UNFCCC). The 10 MW Layla Al-Aflaj solar project was registered in February 2019 to issue carbon emission reduction certificates by 20,081 tonnes of CO_2 equivalent per year. The 300 MW Sakaka solar project was registered also in February 2020 to issue carbon emission reduction certificates by 607,516 tonnes of CO_2 equivalent per year.

Environmental Policy

SEC and its subsidiary companies recognize the potential impact of their activities on the environment.
We accept our responsibility to minimize these effects on the environment and to comply with all applicable environmental laws and regulations. We also understand that we have an obligation to prevent pollution, and to protect the environment and public health, with the aim of supporting sustainable development and without compromising our obligation to provide our customers with their power needs.

In support of these responsibilities, we will work to continually improve our environmental performance, through:

- Integrating environmental considerations into all the company's business and decision-making processes.
- Striving towards the optimal use of resources within the business, including focusing on the reuse and recycling of resources and on waste minimization measures.
- Promoting self-reliance on clean energy and adopting best scientific technologies and the most suitable options to minimize the adverse impacts on the environment which may result from SEC's activities.
- Monitoring, measuring, and assessing the environmental performance of our facilities, processes, products, and services.
- Ensuring that our employees are aware of, and engaged with, our environmental commitments and that they have the necessary competency and equipment to operate in line with these obligations and commitments.
- Communicating our commitments to our contractors and suppliers, and working to ensure that they are addressing these as part of their engagement with our organization.
- Educating, and engaging with, our customers to increase their awareness of environmental issues and enable them to make energy efficient choices.
- Ensuring that the necessary personnel, equipment, and procedures are in place to safely, promptly, and effectively respond to any incident associated with our facilities and operations.

Chief Executive Officer

Preserving Natural Resources

To reduce natural resources consumption, the company has taken several measures to improve energy production efficiency. It increased thermal efficiency of power generating plants, and plans to increase energy production efficiency by 44.8% in 2030. Fuel consumption decreased from 2.01 barrels of oil/megawatt per hour in 2009 to 1.59 barrels of oil/megawatt per hour in 2020. The company also plans to reduce the fuel consumption to 1.52 barrels of oil/megawatt per hour in 2021 and to 1.44 barrels of oil/megawatt per hour in 2024. One of the measures that contributed to the reduction of consumption, is the replacement of low-efficiency generation units with a new generation of high-efficiency units, where a high number of units were put out of commission from 2017 to 2021. The company also completed the electrical interconnection project between the regions of the Kingdom and the Arab Gulf states, which contributed to the import and export of electric power and reduced the spinning reserve in the grid. The implementation of thermal insulation imposed by the company in the new buildings has also contributed to reducing the loss in energy consumption, as well as the implementation of electric power rationing programs in all administrative locations of the company through the use of technical programs and modern technical solutions to control the operation of the services in the company's buildings, such as the use of timers and replacement of traditional light bulbs with LED bulbs. The company also manages waste generated by its various business lines and operations by preventing, minimizing, reusing and recycling.

Environmental Awareness and Engagement

The company contributes to spreading and promoting environmental awareness among all employees, contractors, and the company's suppliers, and qualifies the concerned employees and enables them to attend qualifying courses and obtain the highest international certificates in the field of environmental protection. It also prints and distributes environmental leaflets and brochures to the company's employees and offers them specialized courses, and awareness programs in various environmental areas. In 2020, more than 80 environmental workshops, lectures, and courses were held and attended by more than 2,300 employees. In addition, many workshops, training courses, and certificates were offered to employees in the field of environmental awareness and requirements of ISO 14001:2015, and the preparation and adoption of environmental measures.
In line with the Saudi Electricity Company's approach to environmental conservation, the company has carried out several environmental activities aimed at improving the environment, such as recycling and purifying the water of the plants and using them to irrigate trees in the Ghazlan and Al-Wajh generating plants, which contributes to reducing the amount of water consumption, continuing the afforestation in the plants and increasing the green areas of its residential areas, which contributes to reducing temperatures and purifying the air and improving its quality.

As part of the company's contribution to social responsibility and awareness of the importance of preserving the environment, the company coordinated with the Ministry of Environment, Water and Agriculture in Al-Qurayyah and with Al-Qurayyah High School, and held at Al-Qurayyah power plant an awareness exhibition on the occasion of Environment Week, during which a video presentation was displayed about the importance of the environment and its conservation. An initiative to afforest some of the plant facilities was launched with the participation of the plant's employees and students from Al-Qurayyah High School, and included a visit of these students to the different facilities of the power plant.

The company in all its key locations participated in the World Environment Day where a number of papers were presented, and a number of specialists and prominent environmental workers in the Kingdom were invited. Some private sector companies have participated in this event and in its accompanying exhibitions. The company also was represented in the Protection of the Environment Executive Committee meetings at the Riyadh Development Authority.

The Automated Environmental Protection System

It is an automated system consisting of three integrated systems including an automated environmental compliance reporting system, an automated environmental audit system, and an automated environmental performance indicators system. It works to establish an integrated environmental database to ensure the speed, accuracy and quality of data entered from various locations of the company, and facilitates the management and analysis of environmental indicators and measurement of the company's environmental performance.

The Environmental Management System ISO 14001:2015

The Saudi Electricity Company seeks to obtain the world-renowned International Environmental Management Standard ISO 14001, which determines the best way to develop an effective environmental management system. This standard was developed to mitigate environmental considerations within the facilities' operations, and to sustain its success taking into account environmental conservation and sustainable development.

ISO 14001 also provides a framework for the company to help it meet customers' expectations on an ongoing basis, in addition to complying with legal, regulatory and legislative requirements.

The environmental management system was built on the theory of continuous improvement based on planning, adopting an environmental policy, establishing a good action plan and its implementation, as well as the emphasis on results' analysis, evaluation, continuous improvement, and the review of results and their continuous improvement. The system also works on avoiding material and economic losses resulting from accidents that have an impact on the environment and aims at achieving sustainable development and the preservation of natural resources.

Institutional Excellence

Quality and institutional excellence have become a strategic goal of the Saudi Electricity Company today. Consistent with this goal, we started developing and strengthening security and safety procedures, fire prevention and environmental protection in accordance with the latest quality methodologies and institutional excellence. Within the framework of our vision to achieve the best international standards, we decided to apply the highest standards of quality inspection in all our business in accordance with the standard of the European Foundation for Quality Management.

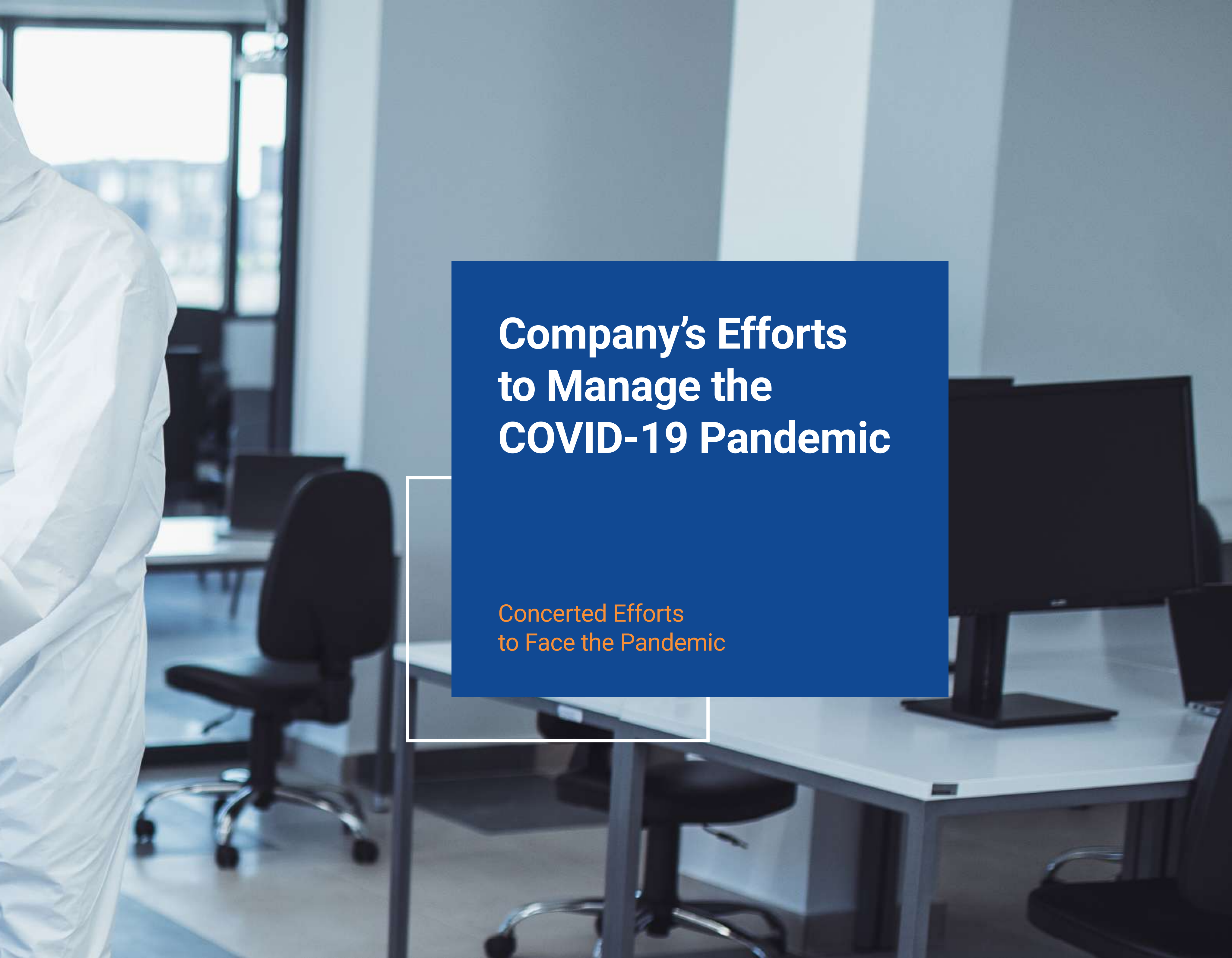
Today, at the Saudi Electricity Company, we have achieved innovative and sustainable results that exceed the expectations of our stakeholders. To achieve this, we harness all the necessary resources, relying on the company's leaders and employees. We work hard to develop their potential, enhance their confidence, and share their plans and objectives. As a result, a number of the company's employees have obtained the certificate of internal evaluator accredited by the European Foundation for Quality Management, for the purpose of internal evaluation and showing the strengths and potential opportunities for improvement.

The Saudi Electricity Company is aware of the magnitude of the challenges facing it and believes that the plans based on a sound scientific methodology and the adherence to their implementation and follow-up, as well as keeping up with modern developments and applications and taking advantage of the most important international practices is our way to reach our goal, which makes the journey of excellence a legitimate right, so we (Diligently Serving You).

80 Environmental workshops, lectures, and courses

32.1% Increase in combined-cycle production

22.1% Decrease in simple-cycle production



Company's Efforts to Manage the COVID-19 Pandemic

Concerted Efforts
to Face the Pandemic

The SEC’s Efforts to Manage the COVID-19 Pandemic

The Crisis Management Team

The company has taken the decision to form a crisis management team headed by the Industrial Security Executive Manager and the membership of all business lines of the Saudi Electricity Company and its subsidiary companies, carrying out clear and specific roles and responsibilities and managing the crisis within the company. The team was given full authorities and the complete support of the Executive Management.

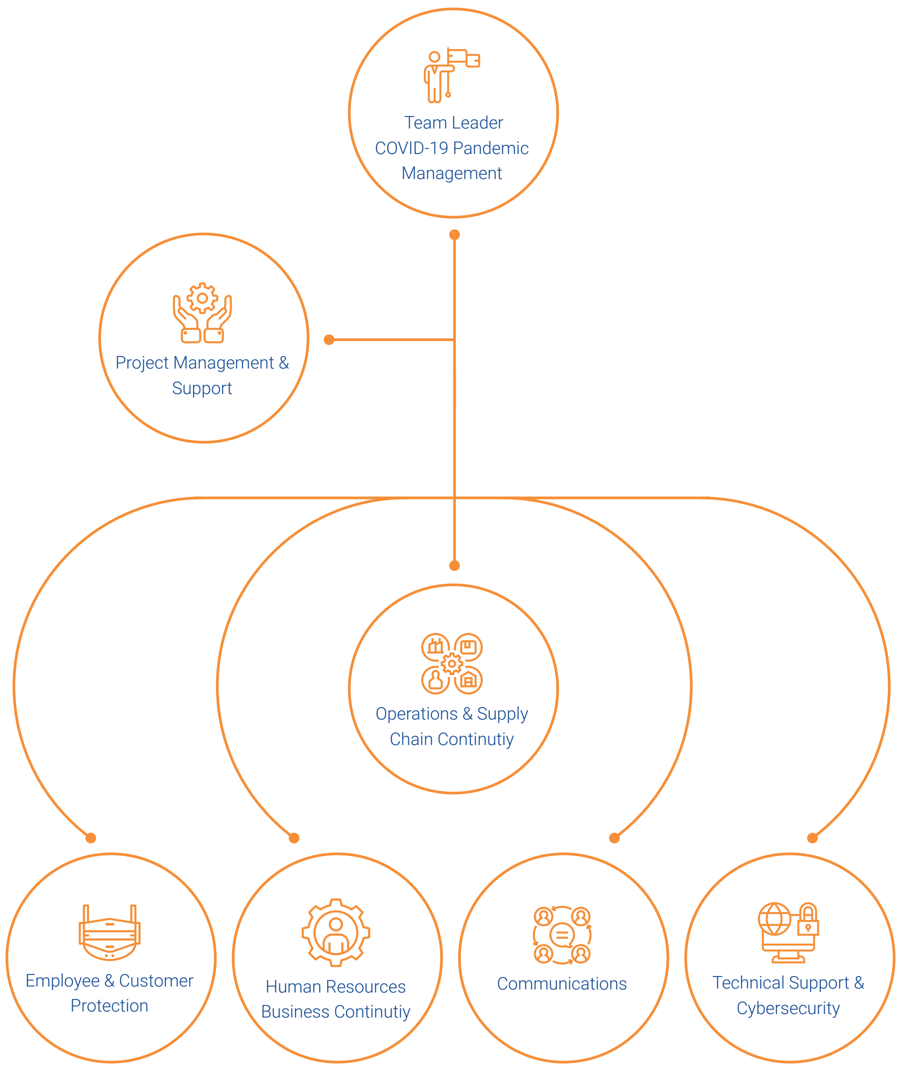
Corporate Pandemic Response Plan

The company adopted the Corporate Pandemic Response Plan, which clearly identified the roles and responsibilities of all the business lines of the Saudi Electricity Company and its subsidiary companies to deal with the pandemic without affecting the operational process and ensuring business continuity. The plan described the communication strategy with entities inside and outside the company, and the drills with a shortage of manpower scenario due to the pandemic, and assessed the company and its subsidiary companies’ readiness to deal with the crisis.

Dealing with the COVID-19 Pandemic Guidelines

The company has adopted guidelines to deal with the COVID-19 pandemic aligned with instructions issued by the relevant government agencies in Saudi Arabia.

Organizational Structure of the Crisis Management Team



Focus on Business Continuity in Supply and Operation Chains

The company successfully tested its readiness (business continuity plans, crisis management and disaster recovery plans), and overcame disruptions in the supply chain locally and globally during the COVID-19 pandemic, where materials, spare parts and personal protective equipment were secured for operation and maintenance departments in the company in order to ensure the continuity of the electrical power supply and services to customers.

It issued more than 56,000 permits during curfew times (total/partial) for critical and essential functions at the Saudi Electricity Company, its subsidiary companies and contractors.

Measures to Deal with Customers and Visitors at Customer Service Offices

- Determine the acceptable number of persons inside the building to ensure that social distancing of 2 meters in all directions is maintained between persons.
- Periodically sterilize the customer reception area.
- Equip entry and exit doors with sensors to open automatically or constantly open doors to prevent contact.
- Awareness-raising electronic signage was installed at the building entrances explaining the preventive measures followed by the company.
- Provide signposts at entrances and exits.
- Ensure that there are an appropriate number of security guards to organize customers to abide with precautionary measures and implement visual screening.
- Organize customers in the waiting area outside the building to ensure that social distancing of 2 meters in all directions between persons is maintained by placing clear markings on the ground.
- Provide masks and sanitizers for customers at the entrance.
- Visually screen customers before entering the office and direct those who have symptoms to communicate with 937 and prohibit them from entering the office.
- Taking a waiting number to enter the building system was cancelled.
- Allocate a specific elevator for customers while reducing its capacity to 30%, and give priority to people with special needs and seniors.
- Ensure that each customer sits in a designated place until they receive the service.
- Set stand signs for people to maintain safe social distancing and removing waiting chairs.
- Place a floor sign at least 1 meter between the service provider and the customer with a transparent separator that prevents direct communication.

Awareness programs

The company used all its channels and platforms to educate employees and citizens alike about the risks of contracting the COVID-19 virus through Emails, internal screens on the company's websites, the company's internal and external website, Bawabati application and social media.

Closure of Gathering Places

Since the beginning of the COVID-19 pandemic, the company has taken several decisions to close the gathering places as proactive precautions, as follows:

- Mosques.
- Restaurants in all facilities and locations and rely instead on deliveries only.
- The company's sports clubs.
- Meeting rooms.

Disposable Masks, Gloves and Special (N95) Masks

The Saudi Electricity Company provided masks and gloves for daily use to all employees.
The company also provided special (N95) masks for critical and essential functions or to the employees who are working in isolated locations and might be subject to the spread of the pandemic.

Sterilizing Company Facilities and Providing Personal Sanitizers

The company provided sterilization in all of its sites and facilities, including sterilizing the headquarters twice a day by signing contracts with specialized companies in this field.

Flexible working hours

The company enabled employees to start work with an hour grace period at the beginning of working hours in SEC's headquarters (excluded critical and essential functions), so that the employees are working on two different shifts.

The company aims to reduce the presence of employees at the same time, and thus reduce congestion in the parking lots, elevators and at the company's entrances.

Remote work

The company enabled employees with chronic diseases and those aged over 65 years to work remotely, and Information technology has been harnessed for remote workers to perform their duties effectively.

The Fifth Shift

The company adjusted and adopted working shift patterns for critical and essential functions to protect them from the potential hazards of transmitting COVID-19 at the workplace.

Overnight Accommodation

The company provided overnight accommodation for critical and essential functions in order to maintain the health of the employees in these functions and to ensure that they are isolated from the potential risk of getting in contact with those infected by COVID-19 outside the company's facilities.

Daily Testing

Body temperature test of employees and contractors at the entrance gates was performed daily, and a rapid intervention team was formed to deal with suspected cases and to take the appropriate action.

Disclosure

The company mandated employees and contractors to disclose any infection or contact with a confirmed case, to follow up on the health status of the infected, communicate with them, and facilitate their access to the necessary treatments.

Communicating with employees

The company has allocated several channels to communicate with employees and answer their questions and enquiries and support them morally to face the risk of the spread of COVID-19 virus and provide them with medical advice. These include the following:

- The COVID-19 email.
- The internal website of the Saudi Electricity Company.
- The (444) call center.

Application of Sanctions and Regulations Rules for Violating Precautionary Measures

The company intensifies field tours within the company's sites and facilities to monitor the implementation of precautionary measures to prevent the outbreak of COVID-19 and the application of the sanctions and regulations rules against violators.

Field Visits to Contractors' Residence

The company visits the contractors' employees residence to ensure that the precautionary measures approved by the company are implemented, and to correct any non-compliance within two weeks of the date of the visit, which has had the effect of raising the level of contractors' commitment to precautionary measures.

Use of latest Technology to Monitor Temperatures of Employees and Visitors

The company provided thermal cameras at the entrances of the Headquarters to monitor the temperature of employees and visitors. These cameras will give audio alerts when temperature above 38 degrees Celsius is registered and these cameras are directly connected to the industrial security operations room. The company also provided smart thermal helmets for industrial security guards to monitor temperatures during their field tours inside the headquarters of the Saudi Electricity Company.

"Tawakkalna" and "Tabaud" Applications

The company mandated employees, visitors and customers to download and activate the applications "Tawakkalna" and "Tabaud" to allow them access to the Saudi Electricity Company and its subsidiary companies' sites and facilities.

Daily Report

The Saudi Electricity Company monitors the COVID-19 pandemic within its facilities through performance indicators in the daily report to follow up and take immediate action to ensure that employees are protected from the risk of infection with the COVID-19 virus. It monitors the number of confirmed cases and suspected cases and isolates those who were in contact with the infected, if any. It monitors the technical efforts for remote workers, ensures having adequate stock of masks, gloves and sterilizers, and that buildings are sterilized by specialized contractors, and monitors the awareness efforts and raises awareness among the employees and their families about the risks of the COVID-19 virus.


0.00%
+1.00%
-0.54%
95.25
17.90
1.58

Shareholders and Investment Relations

Shareholders and Investment Relations

The company has worked to achieve shareholders' expectations, develop their rights and facilitate their access to information as well as enhancing the quality of disclosure of financial results. The company attaches particular importance also to major developments and significant changes, focusing on the timing factor and delivery method to shareholders. The company has complied with the rules and regulations of the Capital Market Authority (CMA) and has complied with the disclosure and transparency directives contained in Article (90) of the Corporate Governance Regulations.

As part of the development of communication in the global financial markets, the company organizes regular telephone meetings with investors and analysts in order to increase their communication with the company's management, and the company looks forward to adding more networking activities. The company is also working to integrate its achievements in the field of environmental practices, social responsibility and governance and disclose them periodically in accordance with the prevailing local and international standards and include them in the company's activities.

The company continued its efforts to enhance the methods of communication with its shareholders and urged them to deposit their share certificates in investment portfolios, thus achieving a smooth flow when depositing their profits in their accounts pegged to their portfolios with different banks during the first day of the profits' disbursement. The company is usually keen on effective communication with the competent authorities in the capital market and on the exchange of information related to the company with investors and financial and investment institutions.

Excellence Award in Corporate Governance Index

The company received the Excellence Award in the Corporate Governance Index at the 2nd Annual Corporate Governance Conference held at the Corporate Governance Center, at Alfaisal University in Riyadh. The Saudi Electricity Company was ranked among the top 10 companies in the non-financial sectors traded on the Saudi financial market for the second consecutive year.

Excellence Award in the Corporate Governance Index

21.30 Saudi Riyals

Closing Price of the Share

5.30%

Share Value Increase Percentage

Relative Distribution of the Company's Capital

Shareholder	Number of Shares	Percentage %
Public Investment Fund	3,129,237,550	75.1%
Saudi Aramco Energy Company	288,630,420	6.93%
Public	748,725,845	17.97%
Total	4,166,593,815	100%

The Company's Share Performance

The company's share closed at the end of December at SR 21.30, compared to SR 20.22 at the beginning of 2020, up by 5.30%.

Index	End of 2019	End of 2020	Percentage %
Volume of traded shares	480,781,310	982,891,267	104.44%
Value of traded shares	8,648,476,304.82	17,664,957,019.84	104.26%
Number of trades	258,326	607,691	135.24%
Closing price of the share	20.22	21.30	5.30%

Corporate Social Responsibility

Committed to Our Employees, Customers, Partners, and Society

Corporate Social Responsibility

Corporate Social Responsibility Strategy

Towards employees

To provide an appropriate working environment, fair and equal training and development opportunities, incentivize excellence and innovation initiatives, foster a culture of quality as a standard of thinking and practice, instill the values set by the Work Ethics Document, engage employees through written communication and gauge their opinions as to the activities and services made available to them.

Towards the community

Actively contribute to social and economic development by lending support to social welfare programs, responding to the community's development and humanitarian issues, including the community in initiatives, spearheading electric power saving activities, spreading awareness on electric hazards and safety, supporting research by adopting initiatives and research chairs that help ration power consumption, improving the performance of electric systems, preserving the environment and supporting renewable energy initiatives and projects.

Towards our partners and clients

Our sense of responsibility as to the generation, transmission and distribution of electric power has always been the driving force for us to prove and showcase our capabilities and willingness to build fair, transparent strategic partnerships. To that end, we maintain constant communication with our clients and partners to ensure uninterrupted engagement, mutual trust and the spirit of partnership. We encourage them to stay engaged and up-to-date on the current issues and latest developments in the power industry and hear out their opinions and thoughts as to our performance to bolster our image and mindshare.

Social activities

To hold multiple programs, events, classes, graduation, honorary and special ceremonies, strengthen social communication with employees and their families through an internal communication plan, hold sporting, cultural and social programs at the company's clubs, provide training opportunities to employees' children in the English language and computer skills in collaboration with specialized training institutes, and facilitate multiple sporting activities.

Contributions to the community

- Supporting and collaborating with multiple charities, government agencies and strategic partnerships to support CSR programs for individuals with special needs, orphans, cancer patients, charities and active organizations across the Kingdom.

- Supporting the Health Endowment Fund with SR 30 million, in addition to the amount of SR 24.65 million from the company's partners, out of sense of national responsibility, and a desire to support the frontline health heroes in their blessed efforts to respond to the new COVID-19 pandemic.

- Launching the project "Fisherman's Harbour" in Al-Shuqaiq, Jazan region, which aims at supporting and serving fishermen in the region, and contributing to the development of the project area, and fully preparing it for the fishermen during the performance of their work, in accordance with modern standards that will contribute to the ease and simplicity of fishing, storage and transportation of fish. The SEC was keen to include in the project all vital amenities that help fishermen, such as a logistics area, buildings equipped for fisheries and border guards, monitoring systems, fuel filling station with all its accessories, a pier with a ramp to download boats to the sea, and floats to park boats, and a light-backed wave breaker which runs along the project's boundaries. The total area of the project is about 115,050m^2 and can accommodate about 120 fishing boats.

Health Endowment Fund to Respond to COVID-19 Pandemic

30 Million Riyals	From the Company
24.65 Million Riyals	From the Company's Partners

- Employees of the Saudi Electricity Company donated SR 5,498,893 to support the programs and projects of 50 charities in various regions of the Kingdom, as part of the charity deduction program, one of the social responsibility programs implemented by the company.
- For the fourth year in a row, Saudi Electricity participated in the “How to Be A Role Model” initiative launched by the Governor of Makkah Region, Prince Khalid Al-Faisal, and Saudi Electricity received a number of awards:
  - » Makkah Award for Excellence in the Branch of Cultural Excellence through community-developed initiatives for serving Hajj and Umrah pilgrims and maintaining mosques between Makkah and Medina.
  - » The Creativity Award for Corporate Initiatives for Our Homes Safety Initiative.
- Collaborating with the Saudi Alzheimer’s Disease Association in an ongoing strategic partnership across the company’s platforms.
- Collaborating with the Zahra Breast Cancer Association in an ongoing strategic partnership across the company’s platforms.
- Collaborating with Sanad Children’s Cancer Support Association in an ongoing strategic partnership across the company’s platforms.
- Collaborating with the Disabled Children’s Association in an ongoing strategic partnership across the company’s platforms.

The Company's Financial Performance

Financial and Regulatory Reforms

Financial Policy

Our financial and funding strategy is based on a set of core principles, all based on supporting our strong credit rating, linked to the Kingdom's sovereign valuation, to ensure access to a variety of sources of finance, instruments and markets domestically and internationally, maintain sufficient liquidity to meet investment needs, and maintain appropriate liquidity for daily operations and short-term financing needs. In light of this, the company is always looking to build long-term relationships with financing partners of all categories, which supports the company as well as exploits strong internal flows of operations to meet the requirements of operating and investment expenses and strengthen the company's financial position.

Regulatory and financial reforms

Under oversight, and support from The Supreme Committee for Energy Mix Affairs for Electricity Production and Enabling Renewable Energy, headed by His Royal Highness The Crown Prince, Deputy Prime Minister and Chairman of the Council of Economic and Development Affairs, Prince Mohammad Bin Salman Bin Abdulaziz, which oversees all the work of the Ministerial Committee's for restructuring the electricity sector and headed by His Royal Highness the Minister of Energy and the membership of His Excellency the Minister of Finance, Minister of Economy and Planning, Acting Chairman of the Board of Directors of the National Center for Privatization, and His Excellency the Governor of the Public Investment Fund. This as well as its oversight of electricity sector integration teams, which comprises all the concerned government agencies and private sector entities operating in the sector and coordinating efforts to achieve the objectives of the Kingdom's Vision 2030. These objectives ultimately centers around improving quality of the service provided to the consumer in Saudi Arabia. in November 2020 a Royal decree has been issued to approve a holistic package of regulatory, financial and structural reforms for the electricity sector.

The reforms are aimed at achieving the foundations of the Kingdom's electric power sector strategy, which includes:

1. Ensuring the provision of safe, adequate, high quality and efficient electricity supply to all consumers from individuals to commercial entities, to industrial sectors and to government entities.
2. Raising the efficiency to ensure that the cost to serve are reduced.
3. Focusing on the satisfaction of consumers in the Kingdom for the services provided. We strive to have high quality services measured by the high satisfaction rate that we are striving to achieve.
4. Creating a stimulating and attractive environment for investment in the electricity sector that contributes to economic development and is in line with the requirements of the Kingdom's Vision 2030.
5. Demonstrate environmental stewardship and commitment to enable the Kingdom to fulfill its environmental obligations.
6. Promoting the development of local content, by localizing national industries, and developing national capabilities.

The accomplished reforms address a number of financial and structural challenges faced by the electricity sector and the Saudi Electricity Company in the past and lay the foundation for a sustainable, stimulating and attractive financial structure for investment in the electricity sector. These reforms are expected to reflect positively on the sector's performance, enabling it to increase the efficiency of plant generation, reduce the use of liquid fuels, raise the level of environmental compliance, and enhance the reliability of the electricity transmission network to enable electricity production from renewable energy sources in order to achieve optimal energy mix targets for electricity production, improve distribution networks and automate them, in order to achieve the desired objectives to enhance the reliability of the service provided to the customer.

The regulatory and financial reforms, which are based on the Royal Decree, included the following

1. Cancellation of government fees which the company was subject to paying pursuant to Royal Decree no. (14006) dated 23/3/1439 H corresponding to 1/1/2021.

2. Adopting a Minimum Operating Cost Model to regulate SEC's revenue to decide the required revenue for the fiscal year of 2020. Such required revenue will cover SEC's total operating and financing costs including the distribution of dividends to all its shareholders including the Public Investment Fund (PIF).
3. Implementing a Regulatory Asset-Based Model as a mechanism to regulate the Saudi Electricity Company's revenue effective from the fiscal year 2021.
4. Reclassification of SEC's net government liabilities.

Balancing Account for 2020

In reference to Saudi Electricity Company's (SEC) announcement, published on Saudi Stock Exchange (Tadawul) on 16/ 11/ 2020 related to approvals of the electricity sector's financial and regulatory reforms, including the reclassification of its financial government liabilities. a Minimum Service Operating Cost Model has been implemented to regulate SEC's revenue to decide the required revenue for the fiscal year of 2020. Such required revenue will cover SEC's total operating and financing costs including the distribution of dividends to all its shareholders including the Public Investment Fund (PIF). Pursuant to the approval of the Ministerial Committee for Restructuring the Electricity Sector, SEC's required revenue (unconsolidated revenue) for the fiscal year 2020 was decided at SAR 68,764 million; this includes the activation of the balancing account revenue for the fiscal year 2020 of SAR 6,131 million.

Signing a Mudaraba agreement to address the net financial obligations owed to the government by the company

In pursuant to the letter received from His Royal Highness the Minister of Energy, Chairman of the Ministerial Committee for the Restructuring of the Electricity Sector (ref. no. 01-2057-1442 dated 15/11/2020 corresponding to 29/03/1442H) on the issuance of a Royal Order approving the settlement of net government dues from the Company and signing a Mudaraba agreement with the Government of the Kingdom of Saudi Arabia (the Government), represented by the Ministry of Finance, to convert the net financial obligations due to the Government by the company, amounting to SAR 167.9 billion, into a secondary financial instrument within the equity.

The company's net financial obligations owed to the government in the amount of SR 167.92 billion have been converted into a subordinate perpetual, unsecured financial instrument, with a redemption option and profit rate of 4.5% per annum, for a period of 3 years ending in 2023. The profit margin ratio will be set, after 2023, with a negative difference of 1.5% from the average weighted cost of the company's capital, which is determined in each regulatory cycle (every 3 years). The profit margin is to be payed if a decision was reached to distribute cash dividends to owners of ordinary shares and collect any amounts due from the balance sheet. This instrument is Shari'a compliant and is classified under shareholders' equity and has no effect on the ownership of the company's shareholders and related rights.

Details of net government liabilities included in the financial instrument in accordance with the Mudaraba agreement signed on 16/11/2020

Statement	Amount (Billion Saudi Riyals)
Government loans	84.3
Government payables	110.3
Other payables	2.3
Saudi Aramco dividend settlement – before 2017*	3.4
The total liabilities owed to the government by the company	200.3
Less: Government electricity receivables	(32.4)
Net government liabilities reclassified into property rights tool	167.9

*The General Assembly agreed at its meeting held on 12/05/1442 H, corresponding to 27/12/2020, to settle the dividends of Saudi Aramco – transferred to the Ministry of Finance – from dividends of its shares in the company for the period since its establishment until the end of 1439 H, amounting to SR 3.4 billion and adding the amount within the financial instrument's amount.

Creation of the Financial instrument's (Mudaraba agreement's) profits payment reserve

The General Assembly, held on 12/05/1442 H, corresponding to 27/12/2020, approved the establishment of a reserve agreement for the purpose of paying the profits of the financial instrument concluded between the company and the Ministry of Finance. The Board of Directors is authorized to transfer from the company's retained profits to the reserve agreement and to authorize the Board of Directors to use the reserve agreement to pay the profits of the financial instrument in accordance with the provisions of the Mudraba agreement. The amount of SR 935 million of the remaining profits was transferred to the reserve agreement for the financial instrument's profits by the end of fiscal year 2020.

The positive impact of regulatory and financial reforms on the company's financial situation and credit rating

- The structural, regulatory and financial reforms that have taken place are part of the Kingdom's Vision 2030 programs and reflect the government's eagerness to ensure that the financial and operational sustainability of the electricity sector will be a key input for most economic activities.
- The established regulatory framework enables the company to cover capital and operational requirements, and give the company the ability to finance and implement the necessary electrical projects in a timely manner, as well as to maintain the stability of the electricity system.
- Enable long-term planning, which contributes to improving efficiency.
- The agreement to address the financial government liabilities at its unprecedented value is a historic agreement that strengthens the financial position of the company and makes its capital structure more sustainable, where the net financial government obligations will be refinanced by transferring them to a financial instrument of SR 167.92 billion representing approximately 33.4% of the total volume of the company's assets within the shareholders' rights, without any impact on the percentage of ownership of holders of the company's common shareholders
- In addition, the regulatory reforms qualify the company to increase its cash flow from operations, which improves debt coverage and improves its credit record, and therefore its ability to finance its future projects.

The reforms' effectiveness and their expected contribution to improving the company's financial position and its credit profile has been demonstrated by the improvement in its credit rating. Moody's credit rating agency raised SEC credit rating from A2 to A1, making the company's current rating on par with the Kingdom's sovereign credit rating. The company's independent rating (excluding the impact of government support) was also raised by all other global credit rating agencies (e.g., Fitch and Standard and Poor's) and this is expected to reflect positively on the company's overall credit rating a track record of the implementation of the reforms. The company maintained its strong credit rating of investment grade from international credit rating agencies. The rating of the company is considered one of the highest in the Kingdom. It is rated by Standard and Poor's, Fitch, and Moody's at (A-, A-, A1) respectively.

Key decisions during 2020

- On 15/4/2020, the company received the approval of the Ministerial Committee mandated to restructure the electricity sector and the Saudi Electricity Company to waive the share of the Public Investment Fund (the fund) in the profits distributed by the Saudi Electricity Company for the fiscal year 2019, for the shares owned by the fund in the company, which amounted to the number of (3,096,175,320) shares, representing 74.31% of the total shares of the company. This is in order to achieve the desired goals of restructuring the electricity sector and the Saudi Electricity Company, ensuring the financial and operational sustainability of the company, and searching for appropriate ways to enable it to fulfill its obligations.
- The company's board of directors, in its meeting held on Tuesday 21/4/2020, recommended to the shareholders' General Assembly to pay cash dividends for the fiscal year 2019 to the shareholders.
- On 26/08/2020, the company signed a joint local Murabaha financing contract worth SR 9 billion with several banks.

- On 13/09/2020, the Saudi Electricity Company issued Global Green Sukuks worth US$1.3 billion, divided into two tranches (5, 10 years) and worth $650 million each. Sukuks are denominated in US dollars, with a fixed return, priority, unsupported by assets, and issued under RegS.
- On 16/11/2020, the company announced that it had received the approval of financial and regulatory reforms for the electricity sector, including addressing the net financial obligations owed to the government. This is in reference to the telegram of His Highness the Minister of Energy, Chairman of the Ministerial Committee for the Restructuring of the Electricity Sector (Ministerial Committee) no. (01-2057-1442) and the date of 29/3/1442 H, corresponding to 15/11/2020, on the issuance of a Royal decree approving:

1. Cancellation of Government fees which the Company was subject to paying pursuant to Royal Decree (ref. no. 14006 dated 03/ 23/ 1439 HD), as of 01/ 01/ 2021.
2. Implementing a Minimum Operating Cost Model to regulate SEC's required revenue for the fiscal year of 2020. This required revenue will cover SEC's total operating and financing costs including the distribution of dividends to all its shareholders including the Public Investment Fund (PIF).
3. Implementing a Regulatory Asset Based (RAB) Model as a mechanism to regulate SEC's revenue, effective from the fiscal year of 2021.
4. Reclassification of SEC's net Government liabilities.

In light of the above, SEC has signed an agreement with the Government, represented by the Ministry of Finance, dated 16/ 11/ 2020 (corresponding to 1/ 04/ 1442H), to re reclassify SEC's net Government liabilities in the amount of SAR 167.92 billion into a subordinated perpetual financial equity-like instrument with a redemption option and a profit rate of 4.5% per annum. The profit rate is payable once SEC distributes dividends to ordinary shares. This financial instrument is Shariah compliant and classified under shareholders' equity and considered non-dilutive to existing shareholders' stakes.

The financial instrument includes Government loans and net Government payables and accruals after offsetting for outstanding amounts owed to SEC by the Government, in accordance to SEC's financial statements at end of the fiscal year 2019). In addition, it includes an amount of SAR 3.35 billion total dividends owed to Saudi Aramco since SEC's inception until 1439H or 2017G, the book value of which was previously transferred to the Ministry of Finance. SEC's eighth Extraordinary General Assembly (held by physical presence and virtually) has approved on 27/12/2020 to recognize Saudi Aramco accumulated dividends amounts as a liability to the government and to include such amounts to be part of the financial instrument. This as per the settlement and Mudraba agreements signed between SEC and Ministry of Finance.

Financial performance key highlights

A) Income Statement:

Figures in thousand Riyals

Description	2020	2019	2018	2017	2016
Operating revenues	68,708,918	65,040,000	64,063,638	50,684,906	49,860,998
Cost of sales	(60,611,812)	(58,915,883)	(58,144,024)	(43,995,312)	(43,008,530)
Gross profit	8,097,106	6,124,117	5,919,614	6,689,594	6,852,468
Administrative and general expenses	(1,244,638)	(1,244,525)	(1,340,032)	(1,440,400)	(1,060,516)
Total operating expenses	(61,856,450)	(60,160,408)	(59,484,056)	(45,435,712)	(44,069,046)
Human Resources Productivity Improvement Program	-	-	-	(2,829,155)	(110,257)
Exemptions from municipal debts	-	-	-	6,119,546	-
Other revenues, net	1,582,155	1,655,738	1,436,021	1,465,097	978,895
Fuel Settlement Expense	(808,090)	-	-	-	-
Operating income	7,626,533	6,535,330	6,015,603	10,004,682	6,660,590
Financing expenses, net	(4,890,810)	(4,886,933)	(4,136,617)	(2,752,144)	(2,053,806)
Share in the investments loss in the equity-accounted companies	4,337	(40,229)	(62,338)	(108,876)	(59,835)
Zakat and income tax expenses	285,488	(220,611)	(59,515)	(235,413)	(1,692)
Net profit	3,025,548	1,387,557	1,757,133	6,908,249	4,545,257

Operating revenues

Total revenues in 2020 were SAR 68,709 million ,compared to SAR 65,040 million in 2019with a percentage increase of 5.6% for the following reasons:

- The meter reading, maintenance and bills preparation segment saw revenue increase by 3.2% year-on-year to SAR 1,392 million in 2020 from SAR 1,348 million in 2019, reflecting the record number of customers (10.12m) and the additional 385,000 new customers who joined in 2020.
- The electricity connection fee revenue grew 5.1% to SAR 1,928 million in 2020 from SAR 1,834 million in 2019, which was a result of the 385,000 new customers added in 2020.
- Transmission system revenue was up 3.5% to SAR 1,171 in 2020 from SAR 1,131 in 2019, which was 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 covers the difference between the required revenue and actual revenue which was activated for the first time in 2019
- Electricity sales declined by 2.3%, down to SAR 57,532 million in 2020 compared to SAR 58,865 million in 2019 where residential consumption rose while commercial and governmental declined. This was mainly due to the lockdown and stay at home orders during the COVID-19 pandemic

Cost of sales

Cost of sales were SAR 60,612 million in 2020 compared to SAR 58,916 million in 2019 which grew 2.9% year-on-year, due to the following reasons:

- Purchased power cost rose 15.9% to SAR 9,046 million in 2020 from SAR 7,805 million in 2019 due to an additional IPPs becoming operational in 2020, and higher output from IPPs/IWPPs producers as compared to some IPPs outages in the prior year.
- Government fees increased to SAR 15,072 million in 2020 compared to SAR 10,770 million in 2019 which represents a 4% increase. This was reflecting the change in the consumption mix with an elevated contribution from the lower margin residential segment.
- Operations and maintenance costs was up to SAR 10,770 million in 2020 compared to SAR 10,678 million in 2019 which represents a 0.9% increase and was mainly driven by higher material costs, which was partly offset by lower labor costs.
- Depreciation increased slightly to SAR 18,419 million in 2020 compared to SAR 18,363 million in 2019 and represents a 0.3% increase. This 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.
- Fuel costs decreased to SAR 7,305 million in 2020 from SAR 7,576 million in 2019 reflecting a 3.6% decline. 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.

Operating profit

Operating profit in 2020 amounted to SAR 7,627 million compared to SAR 6,535 million in 2019, with a percentage increase of 16.7%. This increase is mainly due to: 1)Ministry of Finance approving 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 2) An increase in our subscriber base by 385,000 customers in 2020 to reach a total of 10.12million subscriber. The following offset this increase: 1) Electricity sales decline slightly due to the rise in residential and commercial consumption while commercial and governmental consumption declined mainly due to the lockdown and stay at home orders during the COVID-19 pandemic. 2) 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. 3) An increase in purchased power costs

Net income

- Net income in 2020 amounted to SAR 3,026 million compared to SAR 1,388 million in 2019, representing an increase of 118%. This increase was mainly due to the aforementioned reasons in addition 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.
- Total financing costs amounted to SAR 4,891 million in 2020 compared to SAR 4,887 million in 2019.
- Net income for common shares amounted to SAR 2,098 million in 2020 (after reducing the Mudaraba instrument profit of SAR 927 million), which represents an increase of 51% compared to the previous year.

Geographical Analysis of the Company's Revenues

The company operates in all regions of the Kingdom, and the following table shows a geographical analysis of electricity sales by region (sectors) in which the company operates:

Figures in thousand Riyals

Year	Description	Business Region				Total
		Central	Eastern	Western	Southern	
2020	Electricity Sales	18,743,934	16,055,642	16,400,543	6,331,367	57,531,486
2019	Electricity Sales	18,611,821	16,222,644	17,825,944	6,204,316	58,864,725

B) Balance Sheet Statement:

Figures in thousand Riyals

Statement	2020	2019	2018	2017	2016
Current assets	45,788,024	53,848,319	43,602,873	38,627,705	44,101,740
Other long-term assets	2,882,219	3,012,697	2,850,946	2,843,219	2,911,089
Net fixed assets	436,779,330	422,968,974	418,102,025	404,289,536	374,009,392
Total assets	485,449,573	479,829,990	464,555,844	445,760,460	421,022,221
Current liabilities	71,129,812	165,029,519	160,776,342	151,718,123	158,338,112
Long-term loans and instruments	100,305,959	91,763,786	88,178,140	85,003,765	69,450,875
Other liabilities	66,239,250	149,466,813	141,923,584	136,729,165	127,635,437
Total liabilities	237,675,021	406,260,118	390,878,066	373,451,053	355,424,424
Paid-up capital	41,665,938	41,665,938	41,665,938	41,665,938	41,665,938
Reserves and retained earnings	38,188,051	31,903,934	32,011,840	30,643,469	23,931,859
Mudaraba Instrument	167,920,563	-	-	-	-
Total equity	247,774,552	73,569,872	73,677,778	72,309,407	65,597,797
Total liabilities and owners' equity	485,449,573	479,829,990	464,555,844	445,760,460	421,022,221

Comparison of Total Assets and Total Liabilities with Owners' Equity during the years 2016 – 2020

Figures in thousand Riyals

	2020	2019	2018	2017	2016
Total assets	485,449,573	479,829,990	464,555,844	445,760,460	421,022,221
Total liabilities	237,675,021	406,260,118	390,878,066	373,451,053	355,424,424
Total Owners' equity	247,774,552	73,569,872	73,677,778	72,309,407	65,597,797

Comparison of Current Assets and Non-Current Assets with Total Assets during the years 2016 – 2020

Figures in thousand Riyals

	2020	2019	2018	2017	2016
Total current assets	45,788,024	53,848,319	43,602,873	38,627,705	44,101,740
Total non-current assets	439,661,549	425,981,671	420,952,971	407,132,755	376,920,481
Total assets	485,449,573	479,829,990	464,555,844	445,760,460	421,022,221

Comparison of Current Liabilities and Non-Current Liabilities and Government Loans with Total Liabilities during the years 2016 – 2020

Figures in thousand Riyals

	2020	2019	2018	2017	2016
Total current liabilities	71,129,812	164,029,519	160,776,342	151,718,123	158,338,112
Total non-current liabilities	166,545,209	193,532,297	183,644,815	177,368,303	154,674,795
Government loans	-	48,698,302	46,456,909	44,364,627	42,411,517
Total liabilities	237,675,021	406,260,118	390,878,066	373,451,053	355,424,424

Total Assets

SEC's total asset base grew by 1.1% to SAR 485.4 billion compared to SAR 479.8 billion in 2019. This increase is mainly due to the continuous investment in Property, Plant and Equipment in 2020 and higher cash and cash equivalents position.

Total Equity

Total equity grew significantly to SAR 247.8 billion compared to SAR 73.6 billion in 2019, with a percentage increase of 236.8%, which 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.

C) Cash flows

- Cash flow from operations was higher by 9.3% to SAR 28.1 billion in 2019 (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) which represents a 136.6% growth.

The Company's Loans book

A) Commercial Loans as of 31/12/2020

Figures in thousand Riyals

Statement	Total Value of Loans Principal	Loan Date	Due Date	Loans Balance at the Beginning of the Period as of 01/01/2020	Loans Withdrawals During the Year	Actual Loans Repayments during the year	Loans Balance at the End of the Period as of 31/12/2020
Local loan 1 – syndicated	6,000,000	2008	2020	272,727	-	272,727	-
Local loan 2 – syndicated	5,000,000	2010	2025	2,306,400	-	384,800	1,921,600
Local loan 3 – syndicated	10,000,000	2016	2023	8,114,286	-	1,352,380	6,761,906
Local loan 4 – syndicated	15,200,000	2019	2026	8,800,000	6,400,000	-	15,200,000
Local loan 5 – shared	9,000,000	2020	2027	0	3,000,000	-	3,000,000
Local loan 6 – bilateral	1,500,000	2017	2020	375,000	-	375,000	-
Local loan 7 – bilateral	1,300,000	2017	2021	650,000	-	433,333	216,667
Local loan 8 – bilateral	3,500,000	2017	2022	2,625,000	-	-	2,625,000
Local loan 9 – bilateral	2,400,000	2018	2024	2,400,000	-	60,000	2,340,000
Local loan 10 – bilateral	1,850,000	2019	2029	1,850,000	-	-	1,850,000

Figures in thousand Riyals

Statement	Total Value of Loans Principal	Loan Date	Due Date	Loans Balance at the Beginning of the Period as of 01/01/2020	Loans Withdrawals During the Year	Actual Loans Repayments during the year	Loans Balance at the End of the Period as of 31/12/2020
Direct loan from the Public Investment Fund	2,583,375	2009	2024	971,349	-	214,936	756,413
International loan 1 (from Export/ Import U.S. and Canadian Banks)	4,057,417	2010	2021	508,483	-	362,130	146,353
International loan 2 (with the participation of a number of entities and with bank guarantee from Bpifrance Assurance Export)	3,709,125	2011	2024	1,279,138	-	309,235	969,903
International loan 3 (with the participation of a number of entities and with the guarantee and the participation of Korean Export Banks)	5,251,120	2012	2026	3,063,048	-	437,920	2,625,128
International loan 4 (with the participation of a number of entities and with the guarantee and the participation of Korean and Japanese Export Banks)	7,240,715	2013	2028	5,291,705	-	603,819	4,687,886
International loan 5 (from the Industrial and Commercial Bank of China)	5,625,710	2016	2021	2,812,721	-	1,875,788	936,933
International loan 6 (with the participation of a number of entities and with the guarantee and the participation of Export-Import Bank of Korea "KEXIM")	3,375,585	2016	2029	2,813,023	-	281,352	2,531,671
International loan 7 (with the participation of a number of entities and with the guarantee of Export-Import Bank of Korea "KSURE")	1,575,336	2016	2029	1,312,804	-	131,298	1,181,506
International loan 8 – Revolving Shared	6,562,878	2017	2022	6,562,878	-	-	6,562,878

Banking facilities and short-term revolving loans

Figures in thousand Riyals

Statement	Principal amount	Loans balance at the beginning of the period as of 1/1/2020	Actual repayments during the year	Loans balance at the end of the period as of 31/12/2020
Local revolving facility – local bank 1	1,000,000	500,000	-	500,000
Short-term facilities – local bank 2	1,000,000	1,000,000	1,000,000	-
Short-term facilities – local bank 4	1,500,000	1,500,000	500,000	1,000,000
Short-term facilities – local bank 5	500,000	500,000	500,000	-
Joint rollover international loan 3	8,066,263	8,066,261	2,145,513	5,920,748
Trade payables facilities	550,000	-	454,553	95,447

Unamortised portion of upfront arrangement and issuance fees and other of SAR 365,041,000 has been deducted.

Bank loans for joint operations

The Group's share in bank loans for joint operations is as follows:

Figures in thousand Riyals

Statement	Principal amount	Maturity date	Loans balance at the end of the period as of 31/12/2020
Domestic Bank 1	3,104,704	2032	2,780,582
International Bank 2	832,400	2033	729,553
International Bank 3	241,000	2028	129,056
International Bank 4	174,000	2033	151,273
International Bank 5	142,500	2033	123,754
International Bank 6	951,422	2032	822,660
International Bank 7	1,736,250	2026	870,791
Domestic Bank 4	1,223,000	2036	1,078,381
Domestic Bank 5	1,109,550	2032	955,533
Shareholders' loan	50,000	-	50,000
International Bank 8	234,179	2033	190,609
Domestic Bank 6	495,500	2032	398,482

Unamortised portion of upfront and other fees to be Deducted amount to 186,306 Thousand Riyal.

B) Sukuk Issuances as of 31/12/2020

Figures in thousand (Riyal/Dollar as shown in the statement)

Statement	Issue size	Issue date	Sukuk repayments during the year	Total value of the issues after modification	Maturity date
Local Sukuk (3rd Issue) in Saudi Riyals	5,730,690	2010	-	No modification	2030 with the right of early redemption in 2022, 2024, 2026
Local Sukuk (4th Issue) in Saudi Riyals	4,500,000	2014	-	No modification	2054 with the right of early redemption in 2024, 2034, 2044
International Sukuk (US$1,250 million)	4,687,850	2012	-	No modification	2022
International Sukuk (US$1,000 million)	3,750,750	2013	-	No modification	2023
International Sukuk (US$1,000 million)	3,750,750	2013	-	No modification	2043
International Sukuk (US$1,500 million)	5,625,600	2014	-	No modification	2024
International Sukuk (US$1,000 million)	3,750,400	2014	-	No modification	2044
International Sukuk (US$800 million)	3,000,800	2018	-	No modification	2024
International Sukuk (US$1,200 million)	4,501,200	2018	-	No modification	2028
International Sukuk (US$650 million)	2,437,500	2020	-	No modification	2025
International Sukuk (US$650 million)	2,437,500	2020	-	No modification	2030

Electricity Sukuk Company

The Electricity Sukuk Company is a wholly owned limited liability subsidiary of the Saudi Electricity Company.

Company's activity

Providing the required support services for Sukuk and bonds issued by the Saudi Electricity Company and the companies owned or co-owned by SEC. Electricity Sukuk Company acts as a trustee of certain assets (Sukuk assets) in accordance with the Sukuk asset transfer agreements between the company (as an observer or trustee), and the company (as an issuer) and SABB Securities Limited (as the Sukuk holder's agent).

The Company's main achievements

The company has provided the necessary support to all issues of the Saudi Electricity Company's Islamic Sukuk in the local markets.

Saudi Electricity Global Sukuk Company, Saudi Electricity Global Sukuk Company 2, Saudi Electricity Global Sukuk Company 3, Saudi Electricity Global Sukuk Company 4, Saudi Electricity Global Sukuk Company 5.

The above mentioned companies are all special purpose vehicles established in the Cayman Islands as limited liability companies. They were established to provide the necessary services and support for the issuance of international bonds and Sukuks.

The Companies' Main Achievements

Since 2012, the special purpose enterprises (Global Sukuk Companies) have contributed to the company's structural support for the company's issues of Islamic Sukuks in global markets, which have reached by the end of 2020, the amount of US$9.55 billion (SR 35.8 billion) and have all contributed to the financing of the company's capital projects and general purposes aimed at improving the quality, reliability and efficiency of the electrical service provided.

During the year 2020, the Saudi Electricity Global Sukuk Company 5 was established to provide the necessary structural support for the company's launch of Global Green Sukuks, which were issued divided into two segments, worth US$1.3 billion, the first tranche worth US$650 million (equivalent to SR 2.4 billion) and due five years later on 17/09/2025, and the second tranche of the same value and due ten years later in 17/09/2030. The issuance of the Green Sukuks met strong demand from international investors from the Middle East, Asia and Europe and the coverage rate was around 4 times and was priced within the company's yield curve by about 10, 15 basis points for the 5 and 10 years tranches, respectively. The bonds were listed on the Irish Stock Exchange (Euronext Dublin).

c) Government Loans as of 31/12/2020

Figures in thousand Saudi Riyals

Statement	Total value of loans principal	Loan date	Maturity date	Loans balance at the beginning of the period as of 1/1/2020	Loans withdrawals during the year	Converted to the financial instrument on 14/11/2020	Loans balance at the end of the period as of 31/12/2020
Government loan (resulting from the clearing)	14,938,060	Since the company's establishment	-	14,938,060	-	14,938,060	-
Ministry of Finance loan from the state (1)	15,000,000	2010	2034	15,000,000	-	15,000,000	-
Ministry of Finance loan from the state (2)	51,100,000	2011	2036	38,325,000	-	38,325,000	-
Ministry of Finance loan from the state (3)	49,400,000	2014	2038	16,075,000	-	16,075,000	-
Total	130,438,060	-	-	84,338,060	-	84,338,060	-

– During 2020, the government loans were transferred to the financial instrument (Mudaraba instrument) signed with the Government of Saudi Arabia represented by the Ministry of Finance. This transfer has resulted in a balance difference of SR 8 billion, which is the total difference between the current value of government loans, deferred government grants and the notional value received for government loans and transferred to the financial instrument. The difference was transferred directly to retained earnings in the equity statement.

Subsidiaries and Investees:

The company owns shares/quotas in the capital of each of the subsidiaries and investees as per the following table:

No.	Subsidiaries and Investees	Place of Incorporation	Place of Activity	Paid-up Capital	Activity	Ownership Percentage
1	Gulf Cooperation Council Interconnection Authority	Kingdom of Saudi Arabia	Gulf Arab States	US$1,407,000,000	Connecting electrical networks between member states by providing the necessary investments to achieve the technical and economic benefits stipulated in the Authority's system.	31.6%
2	Electricity Sukuk Company	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia	SR 500,000	Providing the service and support needed for Sukuks and bonds issued by the Saudi Electricity Company.	100%
3	Dawiyat Telecom Company	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia	SR 50,000,000	Establishing, leasing, managing, and operating electricity and fiber optic networks to provide telecommunication services.	100%
4	National Grid S.A.	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia	SR 10,000,000,000	Transmitting electricity, operating, controlling, maintaining power systems, and leasing line capacities of transmission networks.	100%
5	Dhuruma Electricity Company	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia	SR 4,000,000	Power generation.	50%
6	Hajr Electricity Production Company	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia	SR 2,506,230,000	Owning, generating, producing, transmitting, and selling electricity in the Qurayyah project in the eastern region, and carrying out related work and activities.	50%
7	Rabigh Electricity Company	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia	SR 923,750,000	Developing, establishing, owning, operating, and maintaining the Rabigh project in Holy Makkah region, in addition to transportation and sale of water and electricity and carrying out related work and activities.	20%
8	Al-Mourjan for Electricity Production Company	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia	SR 1,403,850,000	Developing, establishing, owning, operating, and maintaining the Rabigh project in the western region, in addition to transportation and sale of water and electricity and carrying out related work and activities.	50%
9	Saudi Electricity Company for Projects Development	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia	SR 5,000,000	Managing construction projects, setting detailed designs, purchasing materials, and implementing projects in the power sector.	100%

No.	Subsidiaries and Investees	Place of Incorporation	Place of Activity	Paid-up Capital	Activity	Ownership Percentage
10	GCC Electrical Testing Laboratory Company	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia	SR 612,000,000	Engineering activities for electrical projects, excavations, security, safety and chemical, energy efficiency project management activities, energy design review services, measurement and energy verification services activities, measurement, calibration and verification laboratories.	25%
11	Al-Fadhili Cogeneration Company	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia	SR 1,500,000	Production of electric power, water vapor, distilled water, power-connected water and water of similar purity.	30%
12	Green Saudi Company for Carbon Services	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia	SR 1,000,000	Developing and managing the carbon emission reduction systems and programs, the clean development mechanism projects in accordance with international and regional protocols, and related local regulations, for its benefit or for the benefit of others, and to run the activities of the business of carbon emission reduction certificates issued by emission reduction programs and registering it for its benefit or for third parties benefit in the global, regional and local markets.	51%
13	Saudi Power Procurement Company	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia	SR 2,000,000	Carrying out the activity of the principal buyer in accordance with the terms of the license issued by the Electricity and Co-generation Regulatory Authority, which includes the introduction of electricity generation projects, sale and signing the necessary agreements, and the purchase of fuel to achieve the company's goals and supply it to the producers who signed agreements with the company to convert energy and import and export electric power to people outside the Kingdom according to the method or issued rules.	100%
14	Integrated Dawiyat Telecommunications and Information Technology Company	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia	SR 1,000,000	Establishing, leasing and operating telecommunications networks, transmitting, owning and developing telecommunications, providing communications services, data transmission and complete information technology to individuals, public and private institutions. To achieve this, the company has to carry out all the work related to its activities, such as selling, purchasing, renting, leasing fixed and movable assets, as well as establishing the infrastructure necessary to carry out its activities, including buying other companies, investing in regional and international transit gates for communication, information transfer and pivotal and international communication plans.	100%
15	Global Data Hub Company	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia	SR 10,000,000	Construction, acquisition, operation, maintenance and commercial exploitation of information centers.	50%

No.	Subsidiaries and Investees	Place of Incorporation	Place of Activity	Paid-up Capital	Activity	Ownership Percentage
16	Shuaibah Water & Electricity Company (SWEC)	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia	SR 1,560,500,000	Development, construction, acquisition, operation and maintenance of the Shuaibah 3 project for the co-generation of water and electricity in the Shuaibah area, transporting and selling water and carrying out related work and activities.	8%
17	The Saudi Energy Production Company	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia	SR 2,000,000	Conducting electricity generation activity in accordance with the terms of the license issued by The Electricity and Co-Generation Regulatory Authority including electricity generation, co-generation of water and steam production, owning, operating, maintenance, development, financing and providing maintenance, operation and asset management services in the field of electricity generation and co-generation production.	100%
18	Shuaibah Expansion Holding Company	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia	SR 175,818,000	The activities of holding companies, i.e., units that acquire assets that hold a dominant share of capital for a group of subsidiaries, whose main activity is the ownership of that group.	8%
19	Shuqaiq Water and Electricity Company (SQWEC)	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia	SR 1,120,000,000	Development, establishment, ownership, operation and maintenance of the Shuqaiq 2 project for the co-generation production of water and electricity in the Shuqaiq area.	8%
20	Jubail Water and Power Company (JWAP)	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia	SR 882,500,000	Development, construction, ownership, operation and maintenance of Jubail water and electricity project in Jubail industrial zone.	5%
21	Saudi Electricity Global Sukuk Company	Cayman Islands	Cayman Islands	One dollar	A company operating as a special purpose entity to provide services and support for the issuance of global Sukuks.	100%
22	Saudi Electricity Global Sukuk Company 2	Cayman Islands	Cayman Islands	One dollar	A company operating as a special purpose entity to provide services and support for the issuance of global Sukuks.	100%
23	Saudi Electricity Global Sukuk Company 3	Cayman Islands	Cayman Islands	One dollar	A company operating as a special purpose entity to provide services and support for the issuance of global Sukuks.	100%
24	Saudi Electricity Global Sukuk Company 4	Cayman Islands	Cayman Islands	One dollar	A company operating as a special purpose entity to provide services and support for the issuance of global Sukuks.	100%
25	Saudi Electricity Global Sukuk Company 5	Cayman Islands	Cayman Islands	One dollar	A company operating as a special purpose entity to provide services and support for the issuance of global Sukuks.	100%

Details of Shares and Debt Instruments Issued by Each Affiliate and Investee:

No.	Name of subsidiary and investee	Numbers of Shares/Quotas	Debt Instruments
1	Gulf Cooperation Council Interconnection Authority	1,407,000 shares	None
2	Electricity Sukuk Company	10,000 quotas	Sukuk 3 for the amount of SR 5.73 billion Sukuk 4 for the amount of SR 4.5 billion
3	Dawiyat Telecom Company	5,000,000 quotas	None
4	National Grid S.A.	200,000,000 quotas	None
5	Dhuruma Electricity Company	400,000 shares	None
6	Hajr Electricity Production Company	250,623,000 shares	None
7	Rabigh Electricity Company	92,375,000 shares	None
8	Al-Mourjan for Electricity Production Company	1,000,000 shares	None
9	Saudi Electricity Company for Projects Development	100,000 quotas	None
10	GCC Electrical Testing Laboratory Company	61,200,000 shares	None
11	Al-Fadhili Cogeneration Company	150,000 quotas	None
12	Green Saudi Company for Carbon Services	1,000,000 quotas	None
13	Saudi Power Procurement Company	200,000 quotas	None
14	Integrated Dawiyat Telecommunications and Information Technology Company	100,000 quotas	None
15	Global Data Hub Company	1,000,000 quotas	None
16	Shuaibah Water and Electricity Company (SWEC)	156,050,000 shares	None
17	The Saudi Energy Production Company	200,000 quotas	None
18	Shuaibah Expansion Holding Company	17,581,800 quotas	None
19	Shuqaiq Water and Electricity Company (SQWEC)	112,000,000 shares	None
20	Jubail Water and Power Company (JWAP)	88,250,000 shares	None
21	Saudi Electricity Global Sukuk Company	1 quota	US$1.75 billion
22	Saudi Electricity Global Sukuk Company 2	1 quota	US$2 billion
23	Saudi Electricity Global Sukuk Company 3	1 quota	US$2.5 billion
24	Saudi Electricity Global Sukuk Company 4	1 quota	US$2 billion
25	Saudi Electricity Global Sukuk Company 5	1 quota	US$1.3 billion

Company's Dividend Distribution Policy

The Company distributes annual net dividends as follows:

1. (10%) of the net profits shall be retained to form the statutory reserve of the company. The Ordinary General Assembly may decide to discontinue such reserve when the said reserve reaches (30%) of the paid-up capital.
2. The Ordinary General Assembly may decide to make other reserves, to the extent that it serves the interest of the company or ensures the distribution of fixed profits to shareholders as much as possible. The said Assembly may also deduct from the net profits amounts to establish social institutions for the company's employees or to assist the existing institutions.
3. Subject to the provisions contained in paragraph (2) of the (second) clause of the Council of Ministers' Resolution No. (169) dated 24/9/1430 H, and the Council of Ministers' Resolution No. (327) dated 24/09/1430 H, a percentage not less than (5%) of the remainder of the company's paid-up capital shall be distributed thereafter.
4. Subject to the provisions of Article (20) of the Articles of Association of the Saudi Electricity Company and Article (76) of the corporate system, the remuneration of the Board of Directors shall be paid as decided by the General Assembly. The remuneration shall be commensurate with the number of meetings attended by the member.
5. The company may distribute interim dividends to its shareholders semi-annually or quarterly after the General Assembly of the company authorizes the Board of Directors to distribute interim dividends under a resolution renewed annually.

During the year 2020, the company achieved a net profit of (3,025,548) Thousand riyals after deducting the zakat and before distributing the bonus of the members of the Board of Directors. The Board of Directors recommended a cash dividend distribution in accordance with the company's bylaws, as follows:

Figures in thousand riyals

Dividend per share	Percentage of Dividend to the Share Par Value (%)	The Total amount distributed
SAR 0.70	7.0 %	SAR 2,916,615,671

Financial Risks

The company's operations are exposed to various market risks which include (foreign exchange risk, interest rate and commodity prices), as well as credit and liquidity risks. Given the limited ability to predict with certainty the financial market trends, the company's The overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the company's financial performance.

The company's risk policies and procedures are established to identify and analyzes the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management framework standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Market Risks

Market risks represent volatility in fair or future cash flows of a financial instrument due to changes in market prices. Market risks consist of three types of risks:

Foreign exchange risks

Currency exchange risks arise when future commercial transactions, recognized assets or liabilities are denominated in a currency different from the company's functional currency. Foreign currency risks are linked to the change of the currency's value in relation to foreign currencies for the transactions carried out by the company. Since the company's functional currency is the Saudi Arabian Riyal which is pegged to the US Dollar at a relatively fixed exchange rate (SR 3.75 per Dollar), most of the company's foreign currency transactions are not subject to foreign currency risks.

Interest rate risks

Interest rate risk is the risk that either future cash flows or fair value of a financial instrument will fluctuate because of changes in market interest rates. The company's exposure to interest rate risk arises from its borrowings. Borrowings issued at variable rates expose the company to change in cash flow due to change in interest rates. In order to prevent the risk of such exposure, the company enters into interest rate swaps in order to hedge the interest rate risk and these swaps are designated as derivative financial liability in the financial position.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market prices (other than those arise from currency and interest rate risk). The group exposed to the fair value risk due to changes in the prices of the available for sales financial assets owned by the company, where the risk to which the group exposed is not significant, as the available for sale financial assets includes investments in unquoted equity securities.

Credit Risks

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to sales. The company deposits cash and cash equivalents with banks with investment grade credit. The company's credit risk is the risk of financial losses that the company is likely to incur in the event that a customer or counterparty to a financial instrument fails to meet its contractual obligations to a financial instrument and is primarily arising from the company's receivables from customers. The company considers that it is able to collect non-governmental receivables through its ability to stop providing services to those who are late in paying their indebtedness in addition to their legal follow-up with the competent authorities. The company also believes that it is able to collect receivables that exceed the year because it mainly represents government and semi government receivables at 98% of total outstanding debts for more than one year. The net receivables are reported after deducting the provisions of doubtful debts, which are estimated in accordance with the general approach to estimate the expected credit losses of government, semi-government entities and financial assets at amortized cost. The sales are settled in cash, through a payment service or using the main credit cards.

Liquidity Risks

Liquidity risks that the company might face arise with the difficulty of raising funds required to meet the obligations associated with financial instruments. The company's objective in managing liquidity risks is to ensure that the company has sufficient funding facilities to meet its current and future obligations. The company aims to maintain adequate flexibility in financing by keeping appropriate credit facilities in different financing formats. The company expects to meet its future financial obligations through cash flows from operations, which come mainly through cash receipts from receivables and through external financing. As of 31 December 2020. The company manages liquidity risks associated with such kind of government obligations in coordination with the government creditors in light of the company's liquidity position.

The Company's insurance coverage may not be sufficient for the risks associated with the operation of its business

The company's operations involve risks related to the production, transmission and distribution of electric power and other operations. These risks include potential damage resulting from war, terrorism, sabotage, natural disasters, accidents, fires, and explosions. In addition, many operational and other risks may cause injuries and loss of life, or severe damage to company property or the property of others and may destroy them.

The company is keen to maintain an a reasonable insurance coverage that commensurate with the prevalent practices to its activities, including coverage of risks of damage to property, business interruption resulting from a possible failure in its facilities, for example, and liability towards others. However, the company may be exposed to material losses that lead to claims not covered by the insurance coverage, whether in whole or in part, and for which no compensation is available to others. The Company's business, results of operations, or its financial position may be adversely affected in such situation.

Description of Related Parties Transaction

The Group is ultimately controlled by the Government of the Kingdom of Saudi Arabia while the Public Investment Fund, Saudi Aramco and the General Corporation for Desalination of Saline Water Conversion Corporation are companies under common control (all companies ultimately controlled by the Government of the Kingdom of Saudi Arabia) in addition to producing companies and invested companies.

Following transactions were carried out with related parties:

Sales of electricity

Figures in thousand

	For the year ended	
	31 December 2020	31 December 2019
Sales of electricity:		
Group's ultimate controlling party	11,594,615	12,863,475
Entities under control of the Group's ultimate controlling party		
Saudi Aramco	446,240	428,852
Saline Water Conversion Corporation	562,790	533,452
Total	12,603,645	13,825,779

Purchases of energy and fuel

Figures in thousand

	For the year ended	
	31 December 2020	31 December 2019
Purchases of energy		
Entities under control of the Group's ultimate controlling party:		
Saudi Aramco (*)	8,455,131	8,858,565
Saline Water Conversion Corporation	277,510	290,152
Fadhili Plant Cogeneration Company	463,788	-
Joint operations:		
Dhuruma Electricity Company	588,697	638,454
Rabigh Electricity Company	915,177	753,390
Hajr for Electricity Production Company	795,525	734,679
Al Mourjan for Electricity Production Company	419,212	387,319
Total	11,915,040	11,662,559

The Group purchases fuel from Saudi Aramco and power from Saline Water Conversion Corporation at rates stipulated for in the respective governmental resolutions. Also, the purchasing power transitions from joint operations according to the signed agreement with them.

* Includes the amount of the dispute settlement with Aramco amounting to 808 Million Saudi Riyals (clarification 36-A in Financial Statements)

Year-end balances arising from sales of electricity/purchases of energy

	31 December 2020	31 December 2019
Due from related parties:		
Entities under control of the Group's ultimate controlling party	17,194,708	27,878,902
Saudi Aramco	170,929	1,438,355
Saline Water Conversion Corporation	-	1,542,281
Al-Fadhli Co-production loans	253,874	253,874
Global Data Center Company loans	30,250	18,000
Total due from related parties	17,649,761	31,131,412
Due to related parties:		
Group's ultimate controlling party		
Governmental payables **	-	92,495,037
	-	92,495,037
Entities under control of the Group's ultimate controlling party		
Saudi Aramco *	10,077,791	18,272,055
Saline Water Conversion Corporation	354,349	515,354
	10,432,140	18,787,409

* This includes fuel used by the Company, Independent Power Producer and purchase energy.

Loans and advances from related parties

	31 December 2020	31 December 2019
Group's ultimate controlling party		
Government loans **	-	48,698,302
Deferred government grants **	1,089,377	43,665,327
Public Investment Fund loans	756,413	971,349
	1,845,790	93,334,978

** The company has transferred the net liabilities owed to the government of SAR 167.9 billion into a financial instrument within equity.

Information Relating to any Business or Contracts to which the Company is a Party, or where there is an Interest for a Member of the Company's Board of Directors or of its Senior Executives or any Person Related to any of them:

No.	Nature of business or contract	Amount of business or contract	Period of business or contract	Conditions of business or contract	Name of the Member/Senior Executives or any person related to any of them
1	Financial Facilities Agreement	SR 500 million	1 year	Local financial facilities in the context of the ordinary business, denominated in Saudi riyal No preferential advantages granted	Najm Bin Abdullah Al-Zaid Member of the Board of Directors of the Saudi Electricity Company Member of the Board of Directors of GIB
2	Financing Agreement	SR 3 billion is the share of the National Commercial Bank.	7 years	Local financial facilities within the context of the ordinary business, Murabaha Financing in Saudi Riyal, provided by 7 banks. No preferential advantages granted	Rashed Bin Ibrahim Sharif Member of the Board of Directors of the Saudi Electricity Company Member of the Board of Directors of NCB
3	Increase the paid-up capital of the Gulf Laboratory Company	SR 63,000,000	N/A	The decision of the Extraordinary General Assembly of the GCC Laboratory Company on 22/07/2020, to increase the company's capital by issuing 25,000,000 additional shares valued at 10 Riyals the share, and in which the shareholders have subscribed according to their ownership ratio. As such, the Saudi Electricity Company paid 25% of the increase value, equivalent to its ownership share as a shareholder in the GCC Laboratory Company.	Dr. Khaled bin Saleh Al Sultan, member of the Board of Directors of the Saudi Electricity Company, representative of the Public Investment Fund. Dr. Najm Bin Abdullah Al-Zaid, member of the Board of Directors of the Saudi Electricity Company, representative of the Public Investment Fund. Dr. Rashed Bin Ibrahim Sharif, member of the Board of Directors of the Saudi Electricity Company, representative of the Public Investment Fund. Dr. Raed bin Nasser Al-Rayes, member of the Board of Directors of the Saudi Electricity Company, representative of the Public Investment Fund. AbdulKarim bin Ali Al-Ghamdi, member of the Board of Directors of the Saudi Electricity Company, representative of Aramco Energy Company. Gerard Mestrallet, member of the Board of Directors of the Saudi Electricity Company, representative of the Public Investment Fund.

A Statement of the Value of Statutory Payments Due and Payable for the Payment of any Zakat, Taxes, Fees or any Other Entitlements, which have not been Paid until the End of the Annual Fiscal Period, with a Brief Description and a Statement about them and the Reasons thereof:

The table below shows the value of receivables to regulatory or supervisory bodies in the country:

Statement	Thousands of Saudi Riyals	
	2020	2019
Custom fees	11,160	14,150
Zakat and tax	638,277	31,685
General Organization for Social Insurance	506,540	698,020
Other	50,307	26,396
Total	1,206,284	770,251

Statement of the Value of any Investments or Reserves Established for the Benefit of the Company's Employees:

A) Savings Program:

The company has created an optional system of savings to motivate employees and enhance their loyalty and belonging to the company. This contributes to raising the level of performance, attracting qualified Saudi cadres and motivating them to continue serving the company, as well as helping the Saudi employee to collect his savings and benefit from these savings upon retirement or service termination.

The company allocates a portion of the employee's salary to invest it optionally for the benefit of the employee who joined the program. The company chooses suitable areas to invest the program's funds in accordance with the terms of Islamic investment and in low risk portfolios, and in the interests of the participating employees.

The company contributes 100% of the employee's monthly contribution and credits it to his account. The employee's entitlement is calculated according to the company's principles starting from 10% upon the completion of the first year of subscription and up to 100% upon completion of the tenth year of participation. The employee's entitlements are calculated from this participation in case the subscription ends in accordance with the statutory regulations. The following is an explanation of the change in the contribution of the employees participating in the program, as well as the company's contribution during the year:

Statement	Saudi Riyals	
	Employee's contribution	Entitlements to the employees from the company's contribution
Balance at the beginning of the year	596,222,689	664,375,605
Net added/excluded during 2020	83,714,221	131,180,265
Balance at the end of the year	679,936,910	795,555,870

B) Housing Loans program:

For the twelfth year, the Company has continued to provide the Housing Loan program for the Saudi employees through the banks in accordance with the program's regulations to finance the ownership, construction or completion of housing construction in a format compatible with the provisions of the Islamic Law (Murabaha) with the company's contribution bearing 70% of the profit margin, where the company's contribution stops at the employee's end of service or for any other reason. The total beneficiaries reached (5,735) beneficiaries by the end of 2020.

Report of the Company's Public Accountant:

The 7th Extraordinary General Assembly held on 2/6/2020 approved the appointment of KPMG Al-Fouzan and Partners as the company's public accountant for the fiscal year ended 31/12/2020. The company's accountant report did not include any Qualifications on the annual financial statements.

Board's Recommendation on the Company's Public Accountant:

No recommendations has been provided by the Board of Directors to replace the Public Accountant.


VII
47%
VIII
39%
12.321

Consolidated Financial Statements

Index

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Riyadh Front, Airport Road
P. O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia
Headquarter
Commercial Registration No 1010425494

Independent auditor's report

To the Shareholder of Saudi Electricity Company (A Saudi Joint Stock Company)

Opinion

We have audited the consolidated financial statements of Saudi Electricity Company ("the Company") and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statements of income, other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated financial statements section of our report. We are independent of the Group in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

key audit matter

Impairment of receivables from sale of electricity

Refer to notes 5,17 accompanying the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
As at 31 December 2020, gross receivables from sale of electricity amounted to SR 36.4 billion, against which a provision for impairment of SR 1.5 billion was recorded. In accordance with the requirements of IFRS 9 'Financial Instruments', the Group has applied the expected credit loss model to record an impairment against receivables from sale of electricity. The application of the expected credit loss model to record an impairment against receivables from sale of electricity is a key audit matter because the impairment of receivables from sale of electricity using the expected credit loss model combined with ongoing evolution of the COVID-19 pandemic, involves material judgments and estimates that may have a significant impact on the Group's consolidated financial statements.	Among other things, our procedures included the following: • Assessed the design, implementation and the operating effectiveness of the management's internal control systems which govern the receivables from sale of electricity balance, including the provision for impairment of receivables from sale of electricity • Assessed the methodology, assumptions and estimates used by management in preparing the expected credit loss model, including projections for the future in light of the ongoing evolution of the COVID-19 pandemic. • Assessed the completeness and accuracy of the aging report for receivables from sale of electricity. • Involved our specialists to test the key assumptions used by management and assessed the reasonableness of the estimates used to record the provision for impairment of receivables from sale of electricity. • Inspected a sample of cash receipts subsequent to the yearend of the consolidated financial statements relating to receivables from sale of electricity including any communications with major customers on the expected dates of payment or any cases of defaults. • Evaluated the adequacy of disclosures made by the management in the consolidated financial statements.

Key audit matter	
Recognition of sale of electricity	
Refer to note 40 accompanying the consolidated financial statements.	
Key audit matter	**How the matter was addressed in our audit**
The Group applies IFRS 15 'Revenue from contracts with customers'. During the year ended 31 December 2020, the Group recognized revenue from sale of electricity totaling SR 57.5 billion. Revenue from sale of electricity is recognized when the service is rendered, and invoices are issued to the consumers of electricity according to the consumption categories and tariffs specified by the regulator. Revenue is considered to be one of the significant indicators for measuring the performance of the Group, resulting in a possible inherent risk of recognizing revenue which is more than its actual value. The revenue recognition is considered as a key audit matter due to the materiality of the revenue amount and the inherent risk of overstating revenue, which may have a material impact on the Group's consolidated financial statements.	Among other things, our procedures included the following: • Assessed the design, implementation and operating effectiveness of management's internal controls system which govern the process around recognition of sale of electricity. • Inquired management about their awareness of risks of fraud and whether there are cases of actual fraud. • Assessed the impact of judgments and assumptions on management's estimates covering the revenue and accrued revenue recognized during the year. • Tested a sample of journal entries which included specific risks of material misstatements and inspected underlying supporting documents. • Evaluated the adequacy of disclosures made by the management in the consolidated financial statements.

Key audit matter	
Recognition of the Mudaraba agreement with the Ministry of Finance	
Refer to notes 5, 24 accompanying the consolidated financial statements.	
Key audit matter	**How the matter was addressed in our audit**
To implement the Royal Decree No. (16031), end of 2019, the Company converted net payables to the government amounting to SR 167.9 billion, into a financial instrument that is classified under equity as a "financial instrument" in accordance with a Mudaraba agreement signed between the Government of the Kingdom of Saudi Arabia; represented by Ministry of Finance in the Kingdom of Saudi Arabia and Saudi Electricity Company. As at 31 December 2020, the fair value of the financial instrument is SR 159 Billion. The recognition, measurement and presentation of the financial instrument is considered as a key audit matter as the recognition of the financial instrument has a material effect on structure, content, the key ratios and financial statement captions in the consolidated financial statements. Furthermore, measuring the fair value of a financial instrument in accordance with the requirements of IFRS 13 (fair value measurement) requires management to make significant judgments, estimates and assumptions that are used as inputs to the fair value calculation by using complex valuation models that may have a material impact on the Group's consolidated financial statements.	Among other things, our procedures included the following: • Assessed the management's assessment on the classification of the financial instrument within equity, after considering the requirements of IAS 32 (financial instrument: presentation) and the characteristics of the Mudaraba agreement signed between the Saudi Electricity Company and the Ministry of Finance. • Assessed the management's assessment related to the fair value estimates of the financial instrument in accordance with the requirements of IFRS 13 (fair value measurement), and using our specialists to ensure the reasonableness of the assumptions and key estimates used by the management in preparing the fair value valuation and measurement models of the financial instrument. • Verified the validity of the adjustments resulting from the Mudaraba agreement. • Evaluated the adequacy of disclosures made by the management in the consolidated financial statements.

Key audit matter	
Re-assessment of the residual value of property, plant and equipment	
Refer to notes 5,9 accompanying the consolidated financial statements.	
Key audit matter	**How the matter was addressed in our audit**
During the year 2020, the Group re-assessed the residual value of all items within property, plant and equipment in accordance with the requirements of IAS 16 "Property, Plant and Equipment". As a result, for the year ended 31 December 2020, the depreciation of the aforementioned items reduced by SR 811 million. The re-assessment of the residual value was considered as a key audit matter due to the significant reduction in the depreciation charge for the year ended 31 December 2020 referred above which has a material effect on the consolidated results of the Group. In addition, the aforementioned re-assessment was based on judgmental assumptions, which if unreasonable, may result in material adjustments to the net book value of property, plant and equipment and their depreciation, consequently, have a material impact on the consolidated financial statements of the Group.	Among other things, our procedures included the following: • Assessed the design, implementation and operating effectiveness of management's internal control systems which govern the process around calculating the residual value ratio to determine residual value of property, plant and equipment. • Assessed the reasonableness of the residual value ratio and the estimates and assumptions used by management to determine the residual value ratio. • Matched the cost balance of property, plant and equipment to the asset register pre and post application of the residual value to ensure the completeness and accuracy of the data subsequent to the adjustment. • Recalculated a sample of residual value to evaluate consistency of application on all related assets. • Performed analytical procedures to evaluate the impact of applying the residual value on the depreciation charge for the year. • Evaluated the adequacy of disclosures made by the management in the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and The Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies and Company's By-laws and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, the Board of Directors, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of Saudi Electricity Company and its subsidiaries.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Date: 17 Sha'aban 1442H
Corresponding to: 30 March 2021

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KPMG
ترخيص رقم ٤٦
KPMG Professional Services

For KPMG Professional Services

Dr. Abdullah Hamad Al Fozan
License No. 348

Saudi Electricity Company (A Saudi Joint Stock Company)

Consolidated statement of financial position as at 31 December 2020

(All amounts in thousands Saudi Riyals unless otherwise stated)

	Notes	31 December 2020	31 December 2019
Assets			
Non-current assets			
Property, plant and equipment, net	9	436,779,330	422,968,974
Right of use assets, net	10-a	111,331	245,362
Investment properties	11	452,652	455,772
Intangible assets, net	12	469,568	502,602
Equity accounted investees	13	1,464,936	1,427,682
Financial assets at amortised cost	14	34,114	38,381
Financial assets through other comprehensive income	15	349,618	325,075
Deferred tax assets	35.3	-	17,823
Total non-current assets		**439,661,549**	**425,981,671**
Current assets			
Inventories, net	16	4,937,483	5,055,914
Receivables from sale of electricity, net	17	34,968,645	44,884,004
Debit balances and advances	18	623,324	720,823
Prepayments and other receivables	19	719,480	1,269,274
Cash and cash equivalents	20	4,539,092	1,918,304
Total current assets		**45,788,024**	**53,848,319**
Total assets		**485,449,573**	**479,829,990**

The accompanying notes from 1 to 49 form an integral part of these consolidated financial statements.

Saudi Electricity Company (A Saudi Joint Stock Company)

Consolidated statement of financial position as at 31 December 2020

(All amounts in thousands Saudi Riyals unless otherwise stated)

	Notes	31 December 2020	31 December 2019
Equity and liabilities			
Equity			
Share capital	21	41,665,938	41,665,938
Statutory reserve	23	4,153,366	3,850,811
General reserve	23	702,343	702,343
Other reserves		(742,498)	(32,562)
Contractual reserve – Mudaraba instrument	23	927,375	-
Retained earnings	22	33,147,465	27,383,342
Total equity before Mudaraba Instrument (1)		**79,853,989**	**73,569,872**
Fair value for Mudaraba instrument		159,169,000	-
Fair value adjustment of Mudaraba instrument		8,751,563	-
Mudaraba instrument (2)	**24**	**167,920,563**	**-**
Total equity (1+2)		**247,774,552**	**73,569,872**
Liabilities			
Non-current liabilities			
Long term loans	33.2.1	56,145,525	52,474,050
Sukuk	33.2.2	44,160,434	39,289,736
Long term loans from the government	33.2.3	-	47,698,302
Employees' benefits obligation	25	7,259,950	6,580,336
Non-current portion of Deferred revenue	26	56,619,625	50,150,583

The accompanying notes from 1 to 49 form an integral part of these consolidated financial statements.

Saudi Electricity Company (A Saudi Joint Stock Company)

Consolidated statement of financial position as at 31 December 2020

(All amounts in thousands Saudi Riyals unless otherwise stated)

	Notes	31 December 2020	31 December 2019
Deferred government grants	27	1,089,377	43,665,327
Derivative financial instruments	33.3	937,806	572,591
Asset retirement obligations	28	270,425	268,262
Deferred tax liability	35.3	-	426,757
Non-current portion of lease liabilities	10-b	62,067	104,655
Total non-current liabilities		**166,545,209**	**241,230,599**
Current liabilities			
Short term loans and facilities	33.2.1	13,413,842	20,179,264
Trade payables	29	14,145,642	22,424,873
Accruals and other payables	30	26,289,101	12,749,282
Provision for other liabilities and charges	31	365,411	304,153
Refundable deposits from customers		1,997,558	1,997,932
Payables to the government	32	-	92,495,037
Advance from customers	34	12,710,153	12,748,355
Current portion of deferred revenue	26	2,024,808	1,925,592
Current portion of lease liabilities	10-b	56,085	143,820
Derivative financial instruments	33.3	127,212	61,211
Total current liabilities		**71,129,812**	**165,029,519**
Total liabilities		**237,675,021**	**406,260,118**
Total equity and liabilities		**485,449,573**	**479,829,990**

The accompanying notes from 1 to 49 form an integral part of these consolidated financial statements.

Saudi Electricity Company (A Saudi Joint Stock Company)

Consolidated statement of income for the year ended 31 December 2020

(All amounts in thousands Saudi Riyals unless otherwise stated)

	Notes	31 December 2020	31 December 2019
Operating revenue	40	68,708,918	65,040,000
Cost of revenue	41	(60,611,812)	(58,915,883)
Gross profit		**8,097,106**	**6,124,117**
Other income, net	43	1,582,155	1,655,738
General and administrative expenses	42	(1,244,638)	(1,244,525)
Fuel settlement expense		(808,090)	-
Operating income for the year		**7,626,533**	**6,535,330**
Finance income		18,007	30,503
Finance expense		(4,908,817)	(4,917,436)
Finance costs, net	**44**	**(4,890,810)**	**(4,886,933)**
Share of gain / (loss) on equity accounted investees	13	4,337	(40,229)
Income for the year before zakat and tax		**2,740,060**	**1,608,168**
Zakat and tax expenses	35.1	(126,677)	(79,883)
Deferred tax Income / (expenses)	35.1	412,165	(140,728)
Net income for the year		**3,025,548**	**1,387,557**
Earnings per share			
(expressed in SAR)			
Basic and diluted earnings per share	38	0.50	0.33

The accompanying notes from 1 to 49 form an integral part of these consolidated financial statements.

Saudi Electricity Company (A Saudi Joint Stock Company)

Consolidated statement of income for the year ended 31 December 2020

(All amounts in thousands Saudi Riyals unless otherwise stated)

	Notes	31 December 2020	31 December 2019
Net income for the year		**3,025,548**	**1,387,557**
Other comprehensive income:			
Items that may be reclassified subsequently to statement of income:			
Cash flow hedges – effective portion		(466,109)	(345,149)
Total items that may be reclassified subsequently to statement of income		**(466,109)**	**(345,149)**
Items that will not be reclassified subsequently to statement of income:			
Re-measurement of employees' benefits obligation	25.1	(268,370)	(426,732)
Change in fair value of available-for-sale financial assets	46.3	24,543	25,710
Total items that will not be reclassified subsequently to statement of income		(243,827)	(401,022)
Other comprehensive loss for the year		**(709,936)**	**(746,171)**
Total comprehensive income for the year		**2,315,612**	**641,386**

The accompanying notes from 1 to 49 form an integral part of these consolidated financial statements.

Saudi Electricity Company (A Saudi Joint Stock Company)

Consolidated statement of changes in equity for the year ended 31 December 2020

(All amounts in thousands Saudi Riyals unless otherwise stated)

					Other reserves						Mudaraba instrument			
	Share capital	Statutory reserve	General reserve	Contractual reserve	Fair value of derivatives	Employees' benefits obligation	Financial asset at FVOCI	Total other reserve	Retained earnings	Total equity before Mudaraba Instrument (1)	Fair value of Mudaraba instrument	Fair value adjustment of Mudaraba instrument	Mudaraba instrument (2)	Total equity (1+2)
Balance at 1 January 2019	41,665,938	3,712,055	702,343	-	(291,224)	978,098	26,735	713,609	26,883,833	73,677,778	-	-	-	73,677,778
Net income for the year	-	-	-	-	-	-	-	-	1,387,557	1,387,557	-	-	-	1,387,557
Other comprehensive loss	-	-	-	-	(345,149)	(426,732)	25,710	(746,171)	-	(746,171)	-	-	-	(746,171)
Total comprehensive income	-	-	-	-	(345,149)	(426,732)	25,710	(746,171)	1,387,557	641,386	-	-	-	641,386
Dividends paid to shareholders relating to 2018 (note 22)	-	-	-	-	-	-	-	-	(749,292)	(749,292)	-	-	-	(749,292)
Transfer to statutory reserves	-	138,756	-	-	-	-	-	-	(138,756)	-	-	-	-	-
Balance at 31 December 2019	**41,665,938**	**3,850,811**	**702,343**	**-**	**(636,373)**	**551,366**	**52,445**	**(32,562)**	**27,383,342**	**73,569,872**	**-**	**-**	**-**	**73,569,872**
Net income for the year	-	-	-	-	-	-	-	-	3,025,548	3,025,548	-	-	-	3,025,548
Other comprehensive loss	-	-	-	-	(466,109)	(268,370)	24,543	(709,936)	-	(709,936)	-	-	-	(709,936)
Total comprehensive income	**-**	**-**	**-**	**-**	**(466,109)**	**(268,370)**	**24,543**	**(709,936)**	**3,025,548**	**2,315,612**	**-**	**-**	**-**	**2,315,612**
Dividends paid to shareholders relating to 2019 (note 22)	-	-	-	-	-	-	-	-	(749,292)	(749,292)	-	-	-	(749,292)
Transfer to statutory reserve	-	302,555	-	-	-	-	-	-	(302,555)	-	-	-	-	-
Aramco revenue transferred from retained earnings to Mudaraba instrument (note 22 and 24)	-	-	-	-	-	-	-	-	(3,351,785)	(3,351,785)	-	-	-	(3,351,785)
Fair value adjustments for government grants and loans (Note 24)	-	-	-	-	-	-	-	-	8,069,582	8,069,582	-	-	-	8,069,582
Mudaraba instrument (note 24)	-	-	-	-	-	-	-	-	-	-	167,920,563	-	167,920,563	167,920,563
Fair value adjustments for Mudaraba instrument (note 24)	-	-	-	-	-	-	-	-	-	-	(8,751,563)	8,751,563	-	-
Transfer to Contractual reserve – Mudaraba instrument (note 23)	-	-	-	927,375	-	-	-	-	(927,375)	-	-	-	-	-
Balance at 31 December 2020	**41,665,938**	**4,153,366**	**702,343**	**927,375**	**(1,102,482)**	**282,996**	**76,988**	**(742,498)**	**33,147,465**	**79,853,989**	**159,169,000**	**8,751,563**	**167,920,563**	**247,774,552**

The accompanying notes from 1 to 49 form an integral part of these consolidated financial statements.

Saudi Electricity Company (A Saudi Joint Stock Company)

Consolidated statement of cash flows for the year ended 31 December 2020

(All amounts in thousands Saudi Riyals unless otherwise stated)

Cash flows from operating activities	**31 December 2020**	**31 December 2019**
Net income for the year before zakat and tax	2,740,060	1,608,168
Adjustments for:		
Depreciation of property, plant and equipment	18,720,960	18,655,224
Depreciation of investment property	3,120	2,669
Amortization of intangible assets	64,326	56,070
Finance costs, net	4,890,810	4,886,933
Employees' benefits obligation	679,516	636,419
Provision for electricity and other receivables	253,638	205,455
Reversal for slow moving and obsolete inventory	(50,814)	(266,540)
Share of (gain) / loss on equity accounted investees	(4,337)	40,229
Amortization of deferred government grant	(1,356,435)	(1,327,074)
Provision / (Reversal) and other charges	12,859	(78,701)
Gain / (loss) on disposal of property, plant and equipment	189,209	(21,784)
Depreciation of right of use assets	152,964	158,459
Cash flows after adjustment of non-cash items	**26,295,876**	**24,555,527**

The accompanying notes from 1 to 49 form an integral part of these consolidated financial statements.

Saudi Electricity Company (A Saudi Joint Stock Company)

Consolidated statement of cash flows for the year ended 31 December 2020

(All amounts in thousands Saudi Riyals unless otherwise stated)

Cash flows from investing activities	**31 December 2020**	**31 December 2019**
Changes in working capital:		
Inventories	169,245	(43,980)
Receivables from sale of electricity	(23,223,838)	(8,395,563)
Prepayments and other receivables	500,278	(796,509)
Debit balances and advances	109,749	(296,901)
Trade payables	12,391,267	3,941,265
Accruals and other payables	5,848,555	(192,391)
Refundable deposits from customers	(374)	4,408
Advances from customers	(38,202)	1,337,566
Deferred revenue	6,568,258	6,347,835
Employees' benefits obligation paid	(405,199)	(723,730)
Cash generated from operating activities	**28,215,615**	**25,737,527**
Zakat paid	(78,278)	(32,370)
Net cash generated from operating activities	**28,137,337**	**25,705,157**

The accompanying notes from 1 to 49 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows for the year ended 31 December 2020

(All amounts in thousands Saudi Riyals unless otherwise stated)

	31 December 2020	31 December 2019
Cash flows from investing activities	**28,137,337**	**25,705,157**
Purchase of property, plant and equipment	(23,399,218)	(21,413,122)
Proceeds from sale of property, plant and equipment	102,800	75,360
Payments for intangible assets	(31,292)	(79,978)
Payments for investment in equity accounted investees	(63,510)	(206)
Proceeds from financial investments carried at amortized cost	4,267	4,253
(Repayment) /Loan to an associate	(12,250)	270,977
Net cash used in investing activities	**(23,399,203)**	**(21,142,716)**
Cash flows from financing activities		
Proceeds from borrowings	10,043,960	16,161,958
Receipts of government grant	552,743	453,006
Proceeds from Sukuk	4,875,000	-
Payment of lease obligation	(156,544)	(167,929)
Repayments of borrowings	(12,155,719)	(16,341,281)
Dividends paid	(715,906)	(737,048)
Net finance costs paid	(4,560,880)	(4,442,056)
Net cash used in financing activities	**(2,117,346)**	**(5,073,350)**
Net change in cash and cash equivalents	**2,620,788**	**(510,909)**
Cash and cash equivalents at the beginning of the year	1,918,304	2,429,213
Cash and cash equivalents at end of the year	**4,539,092**	**1,918,304**

The impact of non-cash transactions referred to in Note 48 has been excluded.

The accompanying notes from 1 to 49 form an integral part of these consolidated financial statements.

Saudi Electricity Company (A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended 31 December 2020

(All amounts in thousands Saudi Riyals unless otherwise stated)

1. Corporate information

The Saudi Electricity Company was formed pursuant to the Council of Ministers' Resolution Number 169 dated 11 Sha'ban 1419H corresponding to 29 November 1998, which reorganised the Electricity Sector in the Kingdom of Saudi Arabia by merging all local companies that provided electricity services (10 joint stock companies that covered most of the geographical areas of the Kingdom), in addition to the projects of the General Electricity Corporation, a governmental corporation belonging to the Ministry of Industry and Electricity (11 operating projects that covered various areas in the north of the Kingdom) into the Company.

The Company was founded as a Saudi joint stock company pursuant to the Royal Decree No. M/16 dated 6 Ramadan 1420H corresponding to 13 December 1999, in accordance with the Council of Ministers' Resolution Number 153, dated 5 Ramadan 1420H corresponding to 12 December 1999 and the Minister of Commerce's Resolution Number 2047 dated 30 Dhul-Hijjah 1420H corresponding to 5 April 2000 as a Saudi Joint Stock Company according to the Commercial Registration by Riyadh Number 1010158683, dated 28 Muhurram1421H corresponding to 3 May 2000.

The Company's principal activities are generation, transmission and distribution of electricity. The Company is the major provider of electricity all over the Kingdom of Saudi Arabia, serving governmental, industrial, agricultural, commercial and residential consumers.

The Company is a tariff-regulated company of electricity. Electricity tariffs are determined by the Council of Ministers based on recommendations from the Electricity and Co-generation Regulatory Authority (the "Authority") which was established on 13 November 2001 according to Council of Ministers' Resolution No. 169 dated 11 Sha'aban 1419H. The change on tariff was made through the Council of Ministers' Resolution Number 170 dated 12 Rajab 1421H and was effective from 1 Sha'aban 1421H corresponding to 28 October 2000 whereby the tariff on the highest bracket was set at a rate of 26 Halala per Kilowatts/hour.

This was further amended by the Council of Ministers in its Decision (Number 333) dated 16 Shawwal 1430H, corresponding to 5 October 2009, which granted the Board of Directors of the Electricity and Co-generation Regulatory Authority the right to review and adjust the non-residential (commercial, industrial and governmental) electricity tariff and approve them as long as the change does not exceed 26 Halala for each kilowatt per hour, taking into consideration, among other matters, the electricity consumption at peak times. This tariff was implemented starting 19 Rajab 1431H, corresponding to 1 July 2010.

On 17 of Rabi Awal 1437H corresponding to 28 December 2015, Council of Ministers issued its resolution (Number 95), to increase price of electricity effective from 18 Rabi Awal 1437H corresponding to 29 December 2015, and to increase electricity consumption tariff for all categories with the highest band being 32 Halala per Kilowatts/hour, which came into effect from 1 Rabi Thani 1437H corresponding to 11 January 2016.

On 24 of Rabi Awal 1439H corresponding to 12 December 2017, the Council of Ministers issued a resolution (Number 166) to increase the prices of electricity and electricity consumption rates for some categories of subscribers with the highest band being 30 Halala per Kilowatts/hour. This change was effective from 1 January 2018 without referring to the previous highest band of 32 Halala. According to Royal Decree No. 14006 dated 23 Rabi 'al-Awwal 1439 H corresponding to 11 December 2017, the Saudi Electricity Company shall pay a State fee equivalent to the difference between the previous and the new tariffs.

According to the Company's bylaws, the financial year begins on 1st January and ends on 31st December of each Gregorian year.

With regards to the letter received from Minister of Energy, Chairman of the Ministerial Committee for restructuring the electricity Sector and the Saudi Electricity Company No. 2057-dated 03/29/1442 AH corresponding to 15th November 2020, the government fee has been cancelled as of 1 January 2021, with the aim of Ministerial Committee to restructure the electricity sector in Saudi Arabia and approved the organization of revenues of Saudi Electricity Company (note 40).

Saudi Electricity Company will be referred to as ("Company") or together with its subsidiaries and joint operations as ("Group") throughout the financials.

The address of its registered headquarter is located in Riyadh, Kingdom of Saudi Arabia.

2. Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization of Certified Public Accountants.

3. Changes in accounting policies and notes

3.1. Effect of changes in accounting policies as a result of application of new standards

The Group has adopted following standards amendments for the first time starting from 1st January 2020 which have no material impact on the financial statements;

3.1.1 IFRS 3 – Commercial Activity Definition
3.1.2 IFRS 1 and IFRS 8 in relation to the definition of materiality.
3.1.3 IFRS 9, IAS 39 and IFRS 7 – Reforming interest rate index
3.1.4 Lease concessions related to COVID-19 (amendment to IFRS 16) – effective 1 June 2020.

3.2. New standards and amendments issued but not yet effective

There are no new standards issued, however, a number of amendments to the standards are in effect from 1st January 2021, but they are not expected to have a material impact on the Group's consolidated financial statements.

3.2.1 Interest Rate benchmark Reform – Second phase Amendments to IFRS 9, 7, 4 and 16 and IAS 39 (amendments effective on or after 1st January 2021).

3.2.2 Amendments to IFRS 3 and IAS 16 and 37, in addition to the annual amendments to IFRSs (2018-2020 cycle) (amendments effective on or after 1st January 2022).

3.2.3 Amendments to IAS 1, "Presentation of Financial Statements" classification of liabilities (amendments effective on or after 1st January 2023).

4. Measurement basis

The consolidated financial statements have been prepared on a historical cost basis, except for:

- Financial assets through other comprehensive income, financial assets and financial liabilities including derivative financial instruments and Mudaraba instrument that are measured at fair value;
- Employees' benefits obligations at the present value of future obligations using the projected unit credit method.

The Group is required to comply with the cost model for Investment Property, property, plant and equipment and intangible assets until the year end 2022 and after that the Group has an option to use fair value model or cost model according to the criteria and controls announced by the Capital Market Authority.

These consolidated financial statements of the Group have been presented in Saudi Riyal, which also represents the functional and presentation currency. All values are shown to the nearest thousand SAR unless otherwise stated.

5. Use of estimates, assumptions and judgements

The preparation of the Group's consolidated financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, costs, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Revisions to accounting estimates are recognised in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods.

During the current year, the Group re-assessed the residual values of property, plant and equipment except lands, which resulted in calculating the residual value of these items at 1.8% of the cost of the assets. As a result, the depreciation charge of the aforementioned items has been reduced by SAR 811 million, for the period ended 31 December 2020, resulting in a decrease in the operating costs for the period by the same amount and the impact is expected to be same on the depreciation charge in the following years (note 9).

5.1. Use of estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates may, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its assets to assess whether there is an indication that those assets may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows attributable to the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of income.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of income.

Provision for impairment in inventories

Inventory is stated at cost or net realizable value, whichever is lower. The amount of write-off and any reduction in inventory to the net realizable value and inventory losses is recognized as an expense in the same period in which the write-off or expense occurred. A provision (if necessary) is made for obsolete, slow moving and damaged inventories in accordance with the Group's policy.

The Group re-assesses the net realizable value in each subsequent period in accordance with the Group's policy. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realisable value because of changed economic circumstances, the amount of the write-down is reversed.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Useful lives of property, plant and equipment

The Group's management determines the estimated useful life of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. The management at least annually reviews the estimated useful lives and the depreciation method to ensure that the method and periods of depreciation are consistent with the expected pattern of economic benefit of the assets.

Residual value

The residual value of the asset represents the estimated amount that the entity will receive from the disposal of the asset less the estimated disposal costs, if the asset is indeed of age and in the condition it is expected to be in at the end of its useful life.

The management reconsider the residual value of the asset at least at the end of each financial year, and if expectations differ from previous estimates, this is treated as a change in accounting estimate, in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates, and Errors".

Assumptions for employees' benefits obligation

Employees' benefits obligation represents obligations that will be settled in the future and require assumptions to project obligations. IAS 19 requires management to make further assumptions regarding variables such as discount rates, rate of compensation increases, mortality rates, employment turnover and future healthcare costs. The Group's management use an external actuary for performing this calculation. Changes in key assumptions can have a significant impact on the projected benefit obligation and/or periodic employees' benefits costs incurred.

Asset retirement obligation (ARO)

Significant estimates and assumptions are made in determining the provision for ARO as there are numerous factors that will affect the ultimate amount payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates and changes in discount rates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at the reporting date represents management's best estimate of the present value of the future costs.

Zakat and tax

The Company and its subsidiaries are subject to the legislation of the General Authority of Zakat and Tax (GAZT). Accrual of Zakat is recognised in the consolidated statement of income. Additional zakat and tax liabilities, calculated by Authorities, if any, related to prior years zakat declaration is recognised in the year in which final declaration is issued.

Some of the shareholders and foreign shareholders in the Group are subject to income tax. Tax expense, which includes current tax expense and deferred tax, is charged to the statement of income of the Company and its subsidiaries as per the legislation of the General Authority of Zakat and Tax.

Tax expense, which includes current tax expense and deferred tax, is charged to the consolidated statement of income.

The current tax payable is calculated on the basis of the taxable income for the year. The tax income differs from the net income presented in the consolidated statement of income because it excludes taxable or deductible items of income or expense in subsequent years and excludes items that are not taxable or non-deductible. The Group's liabilities are charged to the current tax using the applicable tax rates or substantially expected to be applied at the reporting date.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for the purposes of the financial report and tax amounts used for tax purposes. Deferred tax liabilities are normally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that there will be taxable income that can be used against temporary differences that are deductible. These assets and liabilities are not recognised in the event that temporary differences arise from the initial recognition of goodwill or return to assets or liabilities in an ineffective operation over tax or accounting income except in the case of a business combination.

Deferred tax liabilities relating to temporary taxable differences arising from investments in subsidiaries, joint operations and associates are recognised, except when the Group has the ability to reverse these temporary differences. These temporary differences may not be reversed in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax is calculated on the basis of the tax rates expected to be applied in the period in which the liability is settled, or the asset is recognised based on the applicable laws or substantially expected to be enacted at the reporting date. The deferred tax is charged or reversed from the consolidated statement of income except in the case that it is attributable to items carried or reversed directly from equity. In this case, deferred tax is treated directly in equity.

Fair value for financial instrument

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

When determining the fair value of financial instrument that are not traded in an active market because there is no market that can be monitored to provide pricing information on selling assets or transferring liabilities at the measurement date, the fair value measurement assumes that the transaction takes place on that date, taken into account from the perspective of a market participant who holds the asset or owes the obligation. This assumed transaction will provide the basis for estimating price to sell the asset or transfer the liability.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Financial instruments that are measured at fair value or disclosed in the consolidated financial statements are categorized within the fair value hierarchy based on the inputs used in the valuation techniques shown as follows:

- **Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be obtained at the measurement date.
- **Level 2:** Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- **Level 3:** Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Accrued revenue

Accrued electricity revenue for the period that are not yet invoiced at the date of the reporting are recognized in the consolidated statement of income, which is calculated based on estimates, assumptions and internal policies that depends fundamentally on management experience.

Projects under progress accrual

Capital projects in progress are recognised at cost, which represents the contractual liabilities of the Company to create assets (such as construction, industrial facilities, etc.). Cost of such assets is recognised as capital projects-in-progress and represented by the value of work performed, using the same principles as the assets acquired.

Provision for Expected Credit Loss (‘ECL’) for receivable

The Group applies the simplified and general method for assessing expected and specific credit losses under IFRS 9.

The Group uses the general model to estimate expected credit losses for government and semi-government entities and financial assets at amortized cost. Expected credit losses are calculated over 12 months, or projected credit losses over a lifetime in which the credit value has not decreased or the credit values has decreased, based on the change in the credit risk associated with the financial instrument.

The Group uses the simplified model using a provision matrix to measure the expected credit losses for trade receivables from individual customers, which consist of a very large number of small balances.

The Group reviewed the important sources of uncertainties related to COVID-19 pandemic. The management believes that there is no material impact of the existence of the pandemic on the financial statements for the year ended 31 December 2020. The financial statements included the effect of applying changes in assumptions about the rate of inflation and gross domestic product “GDP” resulting from the COVID-19 pandemic when applying the ECL. The management continues to monitor the situation, and any required changes will be reflected in future reporting periods, and the Group does not expect material impacts related to the years 2021 onwards.

To measure expected credit losses, trade receivables are Grouped based on the characteristics of the joint credit risk and the days in which they are due. Historical loss rates are adjusted to reflect current and future information in accordance with indicators of macroeconomic activity that affect customers' ability to settle receivables. The Group has defined gross domestic product and inflation as primary inputs for adjusting historical loss ratios according to expected changes to these factors.

Discount rate for lease contract

The management uses estimates to determine the incremental borrowing rate for calculating the present value of the minimum lease payments.

5.2. Use of judgements in applying the Group's significant accounting policies

5.2.1. Joint operations - Independent Power Producers

A joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement.

Based on the Group's control assessment, investments held in companies are classified as joint operations. Based on management's judgement, the contractual arrangement establishes that the parties to the joint arrangement share their interests in all assets relating to the arrangement.

Therefore, the Group recognises in relation to their interest in assets, liabilities, income and expenses in the above-mentioned joint operations.

5.2.2 Equity Accounted Investment

The Group determines the significant impact on companies that it owns directly or indirectly (for example through subsidiaries), 20 percent or more of the voting power of the investee, it is presumed that the entity has significant influence, unless it can be clearly demonstrated that this is not the case. Conversely, if the entity holds, directly or indirectly (for example through subsidiaries), less than 20 % of the voting power of the investee, it is presumed that the entity does not have significant influence, unless such influence can be clearly demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an entity from having significant influence.

6. Summary of significant accounting policies

6.1. Basis of consolidation of financial statements

6.1.1. Subsidiaries

Subsidiaries are all entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns; and

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

Non-controlling interests are measured by their proportionate share of the identifiable net assets of the acquiree at the date of acquisition.

The Group re-assesses controls of the investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. The consolidation of a subsidiary is commenced when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and deconsolidated from the date that control ceases. The share of income or loss and net assets not controlled by the Group are presented separately in the consolidated statement of income and within equity in the consolidated statement of financial position. If the Group retains any share in the former subsidiary, that interest is measured at fair value on the date that control ceases.

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. When necessary, accounting policies of the subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

These consolidated financial statements have been prepared for the Saudi Electricity Company and its following subsidiaries:

Subsidiary Company's name	Country of registration and place of business	Ownership in ordinary shares %		Principal activity
		31 December 2020	31 December 2019	
National Grid S.A. Company "Grid Company"	Kingdom of Saudi Arabia	100	100	Transmission
Dawiyat Telecommunication Company	Kingdom of Saudi Arabia	100	100	Telecommunication
Electricity Sukuk Company	Kingdom of Saudi Arabia	100	100	Financing
Saudi Electricity for Projects Development Co. (business not commenced)	Kingdom of Saudi Arabia	100	100	Projects Management
Saudi Electricity Global Sukuk Company	Cayman Islands	100	100	Financing
Saudi Electricity Global Sukuk Company – 2	Cayman Islands	100	100	Financing
Saudi Electricity Global Sukuk Company – 3	Cayman Islands	100	100	Financing
Saudi Electricity Global Sukuk Company – 4	Cayman Islands	100	100	Financing
Saudi Electricity Global Sukuk Company – 5	Cayman Islands	100	-	Financing
Saudi Power Procurement Company	Kingdom of Saudi Arabia	100	100	Principal Buyer
Dawiyat Integrated Company for Telecommunications and Information Technology	Kingdom of Saudi Arabia	100	100	Telecommunication
Saudi Energy Production Company (activity has not started)	Kingdom of Saudi Arabia	100	-	Energy Generation

These consolidated financial statements include the assets, liabilities and results of operations of the subsidiaries referred to in the table above. The percentage of voting rights owned by the Company in subsidiaries is not different from that of the ordinary shares held. The financial year of the subsidiaries starts from the beginning of January and ends at the end of December of each calendar year. The following is a breakdown of the Saudi Electricity Company's subsidiaries:

1. The National Grid S.A. Company is a limited liability company registererd in Riyadh, Kingdom of Saudi Arabia under commercial registration numbered 1010306123 dated 29 Rabi Thani 1432H, (corresponding to 3 April 2011). NGS is wholly owned by Saudi Electricity Company. The Company is engaged in electricity transmission activities including operating, controlling and maintenance of the electricity transmission system and leasing of transmisson line capacity. The Company provides services to one customer (the Saudi Electricity Company).

   National Grid S.A Company was formed as a part of the Company's plan to split its main activities into separate companies pursuant to the Board of Directors resolution no. 1/81/2008 dated 25 Dhul Hijjah 1429H corresponding to 23 December 2008 and resolution no. 1/86/2009 dated 7 Jumada Al Awal 1430H corresponding to 3 May 2009. Accordingly, the Company's Board of Directors agreed on 1 January 2012 to transfer all of the Saudi Electricity Company tranmission activity's assets and liabilities to National Grid S.A Company at their net book value as of 1 January 2012.

2. Dawiyat Telecom Company is a limited liability company established in Riyadh, Kingdom of Saudi Arabia under commercial registration number 1010277672 dated 25 Dhul-Hijjah 1430H (corresponding to 12 December 2009), in accordance with the Company's articles of association dated 23 Jumad Thani 1430H (corresponding to 16 June 2009), and is wholly owned by Saudi Electricity Company.

   On 25 Rajab 1437H (corresponding to 2 May 2016), Dawiyat Telecom Company obtained license no. 37-20-001 to provide type (B) services from the Telecommunication and Information Technology Authority. The license period is for 10 Years that ends on 24/7/1447H.

   Dawiyat Telecom Company main activity is the construction, leasing, managing and operating of electric and fibre optics networks to provide telecommunication services.

   Dawiyat Telecom Company obtained a license from the Communications and Information Technology Commission to provide rental services for communications facilities.

3. Electricity Sukuk Company is a limited liability company established in Riyadh, Kingdom of Saudi Arabia under commercial registration number 1010233775 dated 16 Jumad Awal 1428H (corresponding to 2 June 2007), ESC is wholly owned by Saudi Electricity Company.

   The principal activity of Electricity Sukuk Company is to provide support services required with respect to Sukuks issued by the Holding Company, its subsidiaries and other related companies, after obtaining the required approvals from relevant authorities.

   Electricity Sukuk Company ('ESC') was incorporated to act as a trustee of special assets (Sukuk assets) according to the agreements of transferring the Sukuk assets between ESC (as a trustee or custodian), the Company (as issuer) and SABB for financial instruments (as agent for the sukuk holders).

4. Saudi Electricity for Projects Development Company was established in the Kingdom of Saudi Arabia as a limited liability company. The company's activity is to manage construction projects, develop detailed designs, purchase materials, and execute projects in the energy sector.

5. Saudi Electricity Global Sukuk Company was established in the Cayman Islands as a limited liability company, The company was established to provide the necessary services and support for the issuance of international bonds and Sukuks.

6. Saudi Electricity Global Sukuk Company – 2 was established in the Cayman Islands as a limited liability company. The company was established to provide the necessary services and support in the issuance of international bonds and Sukuks.

7. Saudi Electricity Global Sukuk Company – 3 was established in the Cayman Islands as a limited liability company. The company was established to provide the necessary services and support in the issuance of international bonds and Sukuks.

8. Saudi Electricity Global Sukuk Company – 4 was established in the Cayman Islands as a limited liability company. The company was established to provide the necessary services and support in the issuance of international bonds and Sukuks.

9. Saudi Electricity Global Sukuk Company – 5 was established in the Cayman Islands as a limited liability company. The company was established to provide the necessary services and support in the issuance of international bonds and Sukuks.

10. The Group has established the Saudi Power Procurement Company, wholly owned subsidiary by the Saudi Electricity Company under Commercial Registration No. 1010608947 dated 31 May 2017. The main activity of the Company is to carry out the main buyer's activity in accordance with the provisions of the license issued by the Electricity and Co-Generation Regulatory Authority which includes offer power generation projects, purchasing and selling power and perform the related agreements.

    The Saudi Company for Power Purchase (a wholly owned subsidiary) has signed renewable energy purchase agreements with the following companies:

    - Dumat Al-Jandal Wind Company to produce electricity for a period of 20 years from the date of commencing commercial operation which is expected in January 2022.
    - Sakaka Solar Energy Company to produce electricity for a period of 25 years from the date of commencing commercial operation, and it is expected in July 2020.

    According to these agreements, the Saudi Company for Power Purchase is committed to purchase energy produced by the aforementioned companies as per pre-agreed tariff under these agreements.

11. Dawiyat Integrated Company for Telecommunications and Information Technology is a limited liability company established in Kingdom of Saudi Arabia, Riyadh under the Company's Memorandum of Association on 23 Duhl Qida 1439 (corresponding to 5 August 2018) with C.R No 1010455797 and is fully owned by the Saudi Electricity Company.
    Dawiyat Telecom Company for Communications and Information Technology obtained from the Communications and Information Technology Commission a license to provide wholesale services for the infrastructure.

12. The Saudi Energy Production Company is a limited liability company established in Riyadh, Kingdom of Saudi Arabia, under Commercial Registration No. 1010656214, dated 3 Safar 1442 (corresponding to 20 September 2020), is wholly owned by the Saudi Electricity Company. The main activity is electrical power generation, water purification and water desalination.

6.1.2. Joint-operations

The Group has various arrangement contracts for energy production projects in order to develop, build, operate, and maintain power plants throughout the Kingdom. One of the main inputs to power plants is the fuel used in the turbines to produce electricity, which is sold to the Company at a subsidized price agreed between the Group and Saudi Aramco (the only supplier of fuel in the Kingdom of Saudi Arabia) and is supplied to the power plant owned by the projects referred to. It is free of charge according to agreements with the Group's partners in Independent Power Producers.

There are standard agreements for independent power projects. Under the terms of these arrangements, independent power producers build and operate power plants using the fuel provided by the Group. The Group purchases all the power generated for the plants.

A joint arrangement is an arrangement in which two or more parties have joint control. Joint operations are divided into joint ventures or joint operation based on relevant rights and obligations. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Based on the valuation of the Group's control, investments held in four different companies are classified as joint operations. Based on the management's judgment, the contractual arrangement provides that the parties share all joint operation assets. The following is a breakdown of the Company's joint operations:

Joint Operations		**Ownership percentage shares%**	
Independent Power Producers	**Country of registration and place of business**	**31 December 2020**	**31 December 2019**
Hajr for Electricity Production Company	Kingdom of Saudi Arabia	50	50
Rabigh Electricity Company	Kingdom of Saudi Arabia	20	20
Dhuruma Electricity Company	Kingdom of Saudi Arabia	50	50
Al Mourjan for Electricity Production Company	Kingdom of Saudi Arabia	50	50

13. Pursuant to the Board of Directors' Resolution No. 4/95/2010 dated 12th Ramadan 1431H corresponding to 22nd August 2010, the Group established Hajr for electricity production company (a closed joint stock company) with a share capital of SAR 2 million. During 2011, a new shareholder was admitted and the capital was increased by SAR 8 million to SAR 10 million, fully paid, resulting in the Group's share changing to 50%of total shareholder's equity. Furthermore during 2015, the Group contributed additional capital to Hajr for Electricity Production Company amounting to SAR 1,248 million. The additional contribution of capital was achieved by converting a loan previously granted by the Group, increasing the Group's share in Hajr for Electricity Production Company's equity to SAR 1,253 million.

14. Pursuant to the Board of Directors' Resolution No. 06/76/2008 dated 26th Jumad Awal 1429H corresponding to 3rd June 2008, the Group established Rabigh Electricity Company (a closed joint stock company) with a share capital of SAR 2 million. During 2009, Rabigh Electricity Company increased its capital from SAR 2 million to SAR 10 million by admitting a new sharheolder and the Group's share changed to 20% of the total shareholder's equity.

    During 2013, as per a shareholder's agreement, the Group contributed additional capitalto Rabigh Electricity Company amounting to SAR 183 million – by converting SAR loan previously granted by the Group, increasing the Group's share in Rabigh Electricity Company's equity to SAR 185 million.

15. Pursuant to the Board of Directors' Resolution No. 4/88/2009 dated 18th Ramadan 1430H corresponding to 8th September 2009, the Group established Dhuruma Electricity Company (a closed joint stock company) with a share capital of SAR 2 million. During 2011, a new shareholder was admitted and the capital was increased by SAR 2 million to SAR 4 million. The Group's share represents 50% of the investee's share capital.

16. Pursuant to the Board of Directors' Resolution No. 4/107/2012 dated 27th Rabi Awal 1433H corresponding to 19th February 2012, the Group established Al Mourjan for Electricity Production Company (a closed joint stock company) with a share capital of SAR 2 million. During 2013, a new shareholder was admitted and the capital was increased to SAR 10 million. The Group's share represents 50% of the investee's share capital.

6.1.3. Equity-accounted investees

Companies in which the Company has the ability to exercise significant influence over operating and financial policies and joint venture are recorded in the consolidated financial statements using the equity method of accounting. The shares in associates and joint ventures are recognised using the equity method of accounting and are initially recognised at cost, which includes transaction costs. After initial recognition, the consolidated financial statements include the Group's share of income or loss and other comprehensive income of the investee companies using the equity method until the date that such significant influence or joint control ceases.

Significant influence is the power to participate in the investee's financial and operating policy decisions but is not control or joint control over those policies.

Equity-accounted investees	Country of registration and activity	Ownership percentage shares %	
		31 December 2020	31 December 2019
Gulf Cooperation Council Interconnection Authority	Kingdom of Saudi Arabia	31.6	31.6
Gulf Laboratory Company for Electronical Equipment Inspection	Kingdom of Saudi Arabia	25	25
Al Fadhly Co-Generation Company	Kingdom of Saudi Arabia	30	30
Saudi Green Company for Carbon Services	Kingdom of Saudi Arabia	51	51

Joint Venture	Country of registration and activity	Effective ownership percentage shares %	
		31 December 2020	31 December 2019
Global Data Hub Company	Kingdom of Saudi Arabia	50	50

When the Group's share of losses exceeds its interest in an equity accounted investee, the Group's carrying amount is reduced to nil and recognition of further losses is continued when the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

6.2. Foreign currencies

A) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which each respective entity operates (the "functional currency"). The consolidated financial statements are presented in Saudi Riyals, which is the functional and presentation currency.

B) Foreign currency transaction

Foreign currencies are initially recorded at functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on translation of monetary items are recognised in the consolidated statement of income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the spot exchange rates at the dates of the initial transactions.

Foreign exchange differences resulting from the translation of deferred cash flow hedges are recognised to the extent that the hedge is effective in the statement of other comprehensive income.

6.3. Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and cash in current accounts with banks and other short-term high-liquidity investments with original maturities of three months or less (if any) available to the Group without any restrictions.

6.4. Property, plant and equipment

Property, plant and equipment (except land and projects under construction) are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Land and projects under construction are carried at cost less any losses resulting from the accumulated impairment in value, if any. The cost includes all amounts necessary to bring the asset to the present condition and location to be ready for its intended use by the management. Such costs include the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects (qualifying assets), if the recognition criteria are met, and costs incurred during the commissioning period, net of proceeds from sale of trial production.

When parts of property, plant and equipment are significant in cost in comparison to the total cost of the item, and where such parts/ components have a useful life different from the other parts and required to be replaced at different intervals, the Group shall recognise such parts as individual components of the asset with specific useful lives and depreciate them accordingly. Likewise, when a major overhaul (planned or unplanned) is performed, its directly attributable cost is recognised in the carrying amount of property, plant and equipment if the recognition criteria are satisfied. The useful life of a major overhaul is generally equal to the period up to the next scheduled overhaul. The carrying amount of the replaced part is derecognised. If the next major overhaul occurs prior to the planned date, any existing net book value of the previous major overhaul is expensed immediately. All other repair and maintenance costs are recognised in the consolidated statement of income as incurred.

Depreciation is calculated from the date the item of property, plant and equipment is available for its intended use or in respect of self-constructed assets from the date such property, plant and equipment are completed and ready for the intended use. Depreciation on assets is calculated on a straight-line basis over the useful life of the asset as follows:

Buildings	10 – 40 years
Machinery and equipment	5 – 30 years
Transmission and distribution network	5 – 40 years
Capital spare parts	10 – 25 years
Vehicles and heavy equipment	5 – 15 years
Others	5 – 25 years

Land and capital work in progress are not considered for depreciation. The property, plant and equipment' residual values, useful lives and methods of depreciation are reviewed, and adjusted prospectively if appropriate, at the end of each year.

An item of property, plant and equipment and any significant component initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal of retired, sold or otherwise derecognised property, plant and equipment are determined by comparing the proceeds with the carrying amount of the asset, and are recognised within "Other Income, net" in the consolidated statement of income.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

6.5. Leases

As a lessee

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for financial consideration. The Group assess transfer of right of use by assessing the client have ability over use period with the following:

A. Right to receive most of the economic benefits from using the determined assets.
B. Right to control the determined asset.

The Group recognizes a right-of-use asset at the commencement date of the lease (i.e., the date the underlying asset is available for use) and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, any initial direct costs incurred and an estimate of costs to dismantle, less any lease incentive received. The estimated useful life of right-of-use assets are determined based on a lease term.

At the commencement date, the lease liability is initially measured at the present value of the lease payment that are not paid at that date. The Group discounted lease payments using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group use the incremental borrowing rate.

After commencement date, the Group measure the liability by:

A. Increasing the carrying amount to reflect the interest on lease liability
B. Reducing the carrying amount to reflect the lease payment made; and
C. Re-measuring the carrying amount to reflect any reassessment or lease modifications or to reflect modified or substantially fixed rent payment which re-measured when there are change in future lease payment generated from the change or modification on the rate used or there are change in the estimate of expected amount or the Group change its evaluation if the Group will purchase or extend or finalize.

Any such re-measurement in the lease liability is adjusted against the carrying value of the right-of-use asset or charged to consolidated income statement if carrying value of the related asset is zero.

Short-term leases

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Extension option

In case of lease contracts which offers the extension option, the Group assess if there is reasonably certainty to exercise an option when commencing the contract. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease' if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

At the initial measurement of the finance lease contracts: The lessor shall use the interest rate implicit in the lease to measure the net investment in the lease.

At the commencement date, the lease payments included in the measurement of the net investment in the lease comprise the following payments for the right to use the underlying asset during the lease term that are not received at the commencement date:

A. Fixed payments;
B. Variable lease payments that depend on an index or a rate, initially measured using the index or rate;
C. Any residual value guarantees provided to the Group by the lessee, a party related to the lessee or a third party unrelated to the Group that is financially capable of discharging the obligations under the guarantee; and
D. The exercise price of a purchase option if the lessee is reasonably certain to exercise that option.

At subsequent measurement, the Group shall recognize finance income over the lease term based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in lease.

At the initial measurement of the operating lease contracts: The Group recognises lease payments from operating leases as income on either a straight-line basis or another systematic basis. The Group applies another systematic basis if that basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished.

At the subsequent measurement, the Group applies IAS 36 to determine whether an underlying asset subject to an operating lease is impaired and to account for any impairment loss identified.

When the Group is an intermediate lessor, it accounts for it interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If the head lease is a short-term lease to which the Group applies the exemption, the sublease shall be classified as an operating lease.

If an arrangement contains a lease and non-lease components, the Group applies IFRS 15 to allocate the consideration in the contract.

The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of the "other income".

6.6. Investment properties

Investment properties are lands and building held for purposes other than using it in Group's operating activities. The Group holds investment properties for rental income and/or capital appreciation purposes. Investment properties are measured in accordance with the cost model and depreciation is calculated on straight line basis over the useful life:

Building	40 years

Investment properties are derecognized when they are sold or when they become occupied by the owner or if they are not held to increase their value.

6.7. Intangible assets

Intangible assets acquired separately are measured at cost upon initial recognition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income in the expense category consistent with the function of the intangible asset. Amortisation of intangible assets is calculated on a straight-line basis over the useful life of the asset as follows:

Software	10 years
Right-of-use pipeline	20 years

The useful life of an intangible asset with a definite life is reviewed regularly to determine whether there is any indication that its current life assessment continues to be supportable. If not, the change in the useful life assessment is made on a prospective basis. Intangible assets with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that the intangible asset may be impaired either individually or at the aggregated cash generating unit level.

Gains or losses arising from derecognising an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of income when the asset is derecognised.

6.8. Impairment of non-financial assets

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal and its value in use. For the purpose of assessing impairment, assets are Grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or Group of assets (cash generating unit, "CGU"). Non-financial assets other than goodwill that have been fully or partially impaired are reviewed for possible reversal of all or part of the impairment loss at the end of each reporting period.

Intangible assets that have an indefinite useful life are not subject to amortisation and are instead tested annually for impairment. Assets subject to amortisation/depreciation are reviewed for impairment whenever events or change in circumstances indicate that the carrying amount may not be recoverable.

6.9. Financial instruments

6.9.1. Financial assets

6.9.1.1. Recognition and initial measurement

A financial asset is initially measured (unless it is a trade receivable without a significant financing component) at fair value plus transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

6.9.1.2. Classification and subsequent measurement

Under IFRS 9, on initial recognition, a financial asset is classified as measured at amortised cost or fair value through other comprehensive income - debt investment; fair value through other comprehensive income - equity investment; or fair value through profit and loss. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Financial assets at amortised cost

Financial assets are measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through other comprehensive income

Financial assets are measured at fair value through other comprehensive income if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at fair value through Consolidated profit or loss

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the consolidated statement of income. As at 31 December 2020, the Group does not have any of these assets.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the statement of income. Any gain or loss on de-recognition of investment is recognized in consolidated statement of income.

Financial assets at fair value through other comprehensive income (Debt investments)

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in the consolidated statement of income. Other net gains and losses are recognised in other comprehensive income. On de-recognition, gains and losses accumulated in other comprehensive income are reclassified to the consolidated statement of income. As at 31 December 2020, the Group does not have any of these assets.

Financial assets at fair value through other comprehensive income (Equity investments)

These assets are subsequently measured at fair value. Dividends are recognised as income in the income statement. Any gain or loss on de-recognition or impairment of the investment is recognised in equity and will not be allowed to reclassify to the consolidated statement of income.

6.9.1.3. De-recognition

The Group derecognises a financial asset mainly (or derecognize part of the financial asset or part of similar financial assets) when:

- The contractual rights to the cash flows from the financial asset expire or;
- The Group transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or;
- Retains all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in consolidated statement of income.

6.9.1.4. Offsetting

Financial assets and financial liabilities are offset, and the net amount is presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the assets and settle the liability simultaneously.

6.9.1.5. Impairment of financial asset

The expected credit loss model applies to financial assets measured at amortized cost, and debt investments at FVOCI, but not to investments in equity instruments.

The financial assets at amortized cost consist of trade receivables for sale of electricity and financial assets mentioned above.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The methodology for recognizing impairment has been revised to confirm to the requirements of IFRS 9 for each of these asset classes.

The impact of the change in impairment methodology on the Group's equity is disclosed as follows:

1. Trade receivables
For trade receivables, the Group applies the simplified approach and general approach for expected credit losses prescribed by IFRS 9.

2. Financial assets (Investment in debit instruments)
Financial assets at amortized cost are considered for impairment provision and determined as 12 months expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating credit loss, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including available information.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt investment at FVOCI are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future recoveries of the financial asset have occurred.
Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event; or
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

An assessment is made as to whether the credit risk of a financial instrument has increased substantially since its initial recognition by taking into account the change in the risk of default occurring over the remaining life of the financial instrument.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group believes that the credit risk on the financial instrument has not increased significantly since initial recognition if the instrument is identified as having a low credit risk at the reporting date. A financial instrument with a low credit risk is identified if: (i) the financial instrument has a low risk of default; and (ii) the borrower has a strong ability to meet its contractual cash commitments in the near term. (iii) adverse changes in long-term economic and trade conditions, but not necessarily, and a reduction in the borrower's ability to meet contractual cash flow obligations.

The expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). The expected credit losses are discounted at the effective interest rate of the financial asset.

Provisions for losses on financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at fair value at other comprehensive income, the loss allowance is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

6.9.2. Financial liabilities

The Group classifies non-derivative primary liabilities in the following categories: financial liabilities at fair value through profit or loss and other financial liabilities.

After initial recognition, the Group measures financial liabilities (other than financial liabilities which are measured at fair value through profit or loss) at amortised cost.

Amortised cost is the amount at which the debt was measured at initial recognition minus repayments, plus interest calculated using the effective interest method. The adjustments are calculated using the effective interest method. The difference between the proceeds (net of transaction cost) and the redemption value is recognised in the consolidated statement of income over the period of the loan or borrowing.

Loans, sukuks and government loans is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of income.

6.9.3. Derivative financial instruments and hedging activities

The Group classifies a financial instrument as an equity instrument according to the content of the agreements entered and the definition of the equity instrument. An equity instrument is any contract that proves the existence of a residual share in the assets of the entities, according to the relevant agreements, and does not include any liability to deliver cash or other financial assets to another entity.

The equity instrument is initially recognised at fair value, and differences between the face value and the current value are recognised in consolidated equity

All related distributions are recognised in the consolidated statement of changes in equity under retained earnings.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at the end of each reporting date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the consolidated statement of other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated statement of income within 'Other income / expense- net'.

Amounts accumulated in equity are reclassified to consolidated statement of income in the periods when the hedged item affects statement of income. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the consolidated statement of income within 'Finance income/cost'.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated statement of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated statement of income within 'Other income - net'.

6.10. Employees' benefits

Short-term obligations

Short-term benefits are those amounts expected to be settled wholly within 12 months of the end of the period in which the employees render the service that gives rise to the benefits. Liabilities for wages and salaries, including non-monetary benefits and accumulating leaves and benefits-in-kind that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations under "accruals and other payables" in the consolidated statement of financial position.

Post-employment obligation

The Group provides end of service benefits to its employees in accordance with the requirements of the Saudi Arabia Labour and Workmen Law. The entitlement to these benefits, is based upon the employees' basic salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are recognised over the service period.

The employee benefits obligation plans are not funded. Accordingly, valuations of the obligations under those plans are carried out by an independent actuary based on the projected unit credit method and the liability is recorded based on an actuarial valuation.

The liability recognised in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Past-service costs are recognised immediately in the consolidated statement of income.

The interest cost is calculated by applying the discount rate to the balance of the defined benefit obligation. This cost is included in employee benefit expense in the consolidated statement of income. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited in other comprehensive income in the period in which they arise.

Defined contribution plan

The Company operates the defined contribution plan which named the savings plan. The Company's contribution to the contribution plans identified as an expense is recognised in the consolidated statement of income when the related service is provided. The share of the company will only be paid at the written request of the employee to terminate the plan or upon retirement, death or full disability of the employee in accordance with the approved regulations. The assets of the plan are accounted for in accordance with the Company's accounting policies where the liabilities and assets of the plan were offset.

Termination benefits

The Group pays termination benefits upon the termination of the employee's services before the date of normal retirement, or when the employee accepts the voluntary termination of his services. The Group recognises termination benefits at the earlier of when;

A. The Group can no longer withdraw the offer; or
B. The Group recognises restructuring costs and includes termination benefits in the event of an offer to encourage retirement, termination benefits are measured based on the number of employees expected to accept the offer. Benefits that occur more than 12 months after the end of the reporting period are discounted at their present value.

6.11. Asset retirement obligation

The Group records the present value of estimated costs of legal decommissioning obligations required to restore the site to its original condition in the period in which the obligation is incurred. The nature of these activities includes dismantling and removing structures, dismantling operating facilities, closure of plant and waste sites, restoration, reclamation and re-vegetation of affected areas.

The obligation generally arises when the asset is installed, or the ground/ environment is disturbed at the location. When the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related property, plant and equipment to the extent that it was incurred as a result of the development / construction of the asset.

Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in the consolidated statement of income as part of financial charges.

6.12. Government grants

Government grants are assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. In the particular case the Company is tariff-regulated. They exclude those forms of government assistance which cannot reasonably have a value placed upon them and transactions with government which cannot be distinguished from the normal trading transactions of the entity.

Government grants, including non-monetary grants at fair value are recognised provided that there is a reasonable assurance that:

- The Group will comply with the conditions attaching to them; and
- The grants will be received.

Receipt of a grant does not itself provide conclusive evidence that the conditions attaching to the grant have been or will be fulfilled.

The manner in which a grant is received does not affect the accounting method to be adopted in regard to the grant. Therefore, a grant is accounted for in the same manner whether it is received in cash or as a reduction of a liability towards the government.

The Company assesses the relationship between the grant and related expenses when it is recognised
A provision of the estimated-results obligations is provided if it seems probable to pay the grant that was recognised previously.

Government grants related to depreciable assets are recognised in the consolidated statement of income over the periods and on the basis of the percentages used to recognise the depreciation expenses of the underlying assets.

Government grants related to non-depreciable assets which require the attainment of certain obligations are recognised in the consolidated statement of income over the periods where the cost of achievement of obligations are incurred.

However, grants relating to non-depreciable assets that are unconditional of the attainment of some obligations are recognised in the consolidated statement of income at their nominal values in the same period.

The accounting treatment of below-market interest rate loans are recognised as: the difference between the nominal value of the loan and its fair value is recognised within non-current liabilities in the consolidated statement of financial position as a deferred government grant.

The government grant is recognized by the Group, which becomes payable as a compensation for expenses or losses already incurred, which represents the coverage of the gap in the actual and estimated operating income or for the purpose of providing immediate financial support to the Group without future costs related to it in the Group’s consolidated statement of income. The Company assesses the relationship between the grant and related expenses upon recognition.

The grant is recognized in the consolidated statement of income even if there are no conditions specifically related to the Group’s operating activities other than the requirement for the Group to operate in certain industrial regions or sectors.

6.13. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-zakat rate that reflects current market assessments of the time value of money and the risks specific to liability. The increase in the provision due to the passage of time is recognised as interest expense.

6.14. Deferred revenue

Deferred revenue relates to electricity service connection tariffs received from consumers which are deferred and recognised on a straight-line basis over the average useful lives of the equipment used in serving the consumers, estimated 35 years.

6.15. Zakat

The Company and its subsidiaries are subject to Zakat according to the regulations of the General Authority for Zakat and Income in the Kingdom of Saudi Arabia ("the Authority"). Zakat is recognised in the consolidated statement of income of the Group. Additional Zakat liabilities, calculated by the Authority, if any, relating to the prior year's zakat declaration is recognised in the year in which final declaration is issued.

6.16. Income tax and withholding tax

Some of shareholders and Foreign shareholders in the Group are subject to income tax. Tax expense, which includes current tax expense is charged to the consolidated income statement.

The Group deducts taxes on certain transactions with non-resident entities in the Kingdom of Saudi Arabia according to the Saudi Income Tax Law.

The share of the foreign shareholders is taxed on its share in the income of the Company invested directly and indirectly in accordance with the requirements of the General Authority for Zakat and Income.

The current tax payable is calculated on the basis of the taxable income for the year. The tax income differs from the net income presented in the consolidated statement of income because it excludes taxable or deductible items of income or expense in subsequent years and excludes items that are not taxable or non-deductible. The liability is charged to the Group for the current tax using the applicable tax rates or substantially expected to be applied at the reporting date.

6.17 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the Company's shareholders.

6.18. Statutory reserve

In accordance with the Holding Company's Articles of Association, the Holding Company is required to transfer 10% of the net consolidated income to the statutory reserve until this reserve reaches 30% of the capital.

6.19. Revenue recognition

The Group recognises the following revenues from contracts with customers:

- Revenue from sale of electricity ;
- Revenue from meter reading, maintenance and preparation of bills preparation;
- Revenue from electricity connections;
- Revenue from transmission system; and
- Other operating revenue.

The Group recognises revenue when it transfers control of a good or service to a customer either over time or at a point in time. When connecting electricity to customers, the Group provides the following services:

- Connecting the customer to the electricity grid;
- Supply of electricity
- The right of the customer to use the meter;
- Maintenance of the meter.

For the purpose of recognizing revenue in accordance with IFRS 15, the above-mentioned services are not separate services or goods but (collectively referred to as "bundled services") are considered as single performance obligation for all services or goods secured by the bundled services. The details of the above revenues and the method of their recognition in accordance with IFRS 15 are as follows:

6.19.1. Revenue from sale of electricity

Revenue from sale of electricity is recognised in the accounting period in which the services are rendered. Revenue from sale of electricity is recognised when customers are invoiced for their electricity consumption measured in kilowatt / hours. Since electricity has no form or shape of its own, the transfer of control is evidenced when a particular bill is generated which forms the basis of consumption of the electricity for the month. There is no volume discounts or variable consideration and there is no unfulfilled obligation that could affect the acceptance of the goods and services.

The performance obligation underlying the revenue stream is not a separate performance obligation and forms part of the bundle services in form of provision of electricity to customers. The payment for such service is due after transfer of the services. Therefore, revenue is recognised at a point in time once the services are transferred to the customer and bills are issued. Electricity sales receivable for the period not yet invoiced at the reporting date are recognized in the consolidated income statement.

6.19.2. Revenue from meter reading, maintenance and preparation of bills

Revenue from meter reading, maintenance and preparation of bills is recognised in the accounting period in which the services are rendered. Revenue from meter reading, maintenance and preparation of bills represents the monthly fixed tariff based on the capacity of the meter used by the consumers. For this fixed-price obligation, revenue is recognised based on the actual service provided until the end of the reporting period as a proportion of the total services to be provided, because the customer receives and uses the benefits simultaneously.

Revenue from meter reading, maintenance and bills preparation tariff that is not billed as at the reporting date is recognised in the consolidated income statement.

6.19.3. Revenue from electricity connections

Electricity service connections received from consumers is deferred and recognised on a straight-line basis over the average useful lives of the equipment used in serving the subscribers. Such connection fee is received once from a customer at the time the customer applies for electricity connection.

The electricity connection fee does not represent a separately identifiable component of the contract to provide ongoing access to the supply of electricity to the customer and it is part of the aforementioned bundle of services provided to customer. The revenue recognition policy is to recognise revenue from such electricity connection fee over the useful lives of the equipment used in serving the subscribers.

6.19.4. Revenue from transmission system

Revenue from transmission system comprises of fees for use of transmission networks and is recognised over the time when bills are issued to licensed co-generation and power providers. Revenue is measured based on the fees approved by Electricity and Co-generation Regulatory Authority according to capacity and quantities of power transmitted.

6.19.5. Other operating revenue

Other operating revenue comprises of operation and maintenance revenue related to lease of fibre optic cables, sale of water, oil residues, penalty, re-connection, disconnection charges etc. The revenue is recognised upon satisfaction of the related performance obligation.

6.20. Dividend income from investments

Dividend income is recognised when the right to receive payment is established.

6.21. Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. To the extent that the Group borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Group determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the year, other than borrowings made specifically for the purpose of constructing a qualifying asset. The amount of borrowing costs that the Group capitalises during a period does not exceed the amount of borrowing costs it incurs during that year.

All other borrowing costs are recognised in the consolidated statement of income in the year in which they are incurred.

6.22. Segments reporting

An operating segment is one of the Group components which carries out operating activities through which it can earn revenues or incur expenses (including revenues and expenses related to transactions with other components of the same Group), where its operating results are regularly reviewed by the entity's operating decision maker regarding the resources that will be allocated to the segment and to evaluate its performance and which have separate financial information available.

An operating segment may carry out activities from which it has not earned revenues yet. For example, pre-operating transactions can be considered as operating segments before they earn revenues.

6.23. Fair value

Fair value is the price that may be received against the sale of an asset or the conversion of an obligation in an organized transaction between the market participants on the measurement date. The fair value measurement is based on the assumption that the transaction for the sale of the asset or the transfer of the obligation can occur either:

- In the primary market of the asset or obligation or
- In the absence of the primary market, in the most appropriate markets for the asset or liability.

The Group uses appropriate valuation techniques with surrounding conditions for which sufficient data are available to measure fair value, maximizing the use of appropriate inputs that can be monitored and minimizing the use of inputs that cannot be monitored to the greatest extent possible.

The measurement of the fair value of a non-financial asset takes into account the ability of the market participant to generate economic benefits by using the asset at its maximum and best use or by selling it to another market participant who may use the asset at its maximum and best use.

All assets and liabilities whose fair values are measured or disclosed in the consolidated financial statements are classified in the fair value hierarchy. This is described as follows, based on the lowest input level that is important for the overall measurement:

- **Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- **Level 2:** Evaluation techniques where the lowest entry level is important for measuring fair value directly (such as price) or indirectly (derived from price);
- **Level 3:** Evaluation techniques where the lowest input level cannot be monitored is important for fair value measurement.

For assets and liabilities that are measured in the financial statements at fair value on a recurring basis, the Group determines whether transfers have been made between hierarchy levels by reassessing the classification (based on the lowest input level that is significant for the overall measurement) at the end of each reporting period.

6.24. Inventories

Inventories include material and supplies for generation, transmission and distribution business, fuel inventory and other materials.

Inventories are initially measured at cost which comprises costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.
The Group uses the weighted average cost method to value its inventories. Under the weighted average cost formula, the cost of each item is determined from the weighted average of the cost of similar items at the beginning of a period and the cost of similar items purchased or produced during the year.

Subsequent to initial recognition, inventories are to be measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

6.25. Contingent liabilities

A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle obligation or the amount of obligation cannot be measured with sufficient reliability. The Group do not recognise the contingent liabilities but only disclose them in the notes to the consolidated financial statements.

6.26. Equity instruments

The Group classifies a financial instrument as an equity instrument according to the content of the agreements entered and the definition of the equity instrument. An equity instrument is any contract that proves the existence of a residual share in the assets of the entities, according to the relevant agreements, and does not include any liability to deliver cash or other financial assets to another entity.
The equity instrument is initially recognised at fair value, and differences between the face value and the current value are recognised in consolidated equity
All related distributions are recognised in the consolidated statement of changes in equity under retained earnings.

7. Seasonal changes

The Group's activity and revenues are affected by seasonality due to change in weather conditions during the year. The Group's revenues are significantly reduced during the winter months due to lower power consumption while revenue is increases during the summer months due to the increase in electricity consumption due to higher temperatures in the summers. These changes are reflected in the financial results of the Group during the year.

8. Segment reporting and future structure of the Group's activities

The main operating activities of the Group are divided into generation, transmission, distribution and subscriber services which are complementary to each other in the production and delivery of electricity to the consumers. The Group's revenues are currently realized from the sale of energy to the final consumer according to the official rate set for the system. All operations are carried out within the Kingdom.

The main actions of each activity are as follows:

Generation: Generating electricity.
Transmission: Transmission of power from generation plants using the transmission network to the distribution network and operation of the electricity transmission and maintenance system.
Distribution and Subscriber Services: Receiving and distributing power from transmission networks to subscribers, issuance and distribution of consumption bills and collections.
Principal buyer: Purchase of power with the Group companies and from other power producers.

The Group is working on implementing an integrated plan aimed at separating the activities into independent companies, as part of the state's plan to restructure the electrical set up in the Kingdom, and work is underway to develop legal arrangements for it.

The Saudi company entered and activated agreements with its subsidiaries to lease electricity, transmission networks, buy and sell energy for both the generation and distribution activities and the Saudi Power Procurement Company.

The activity separation plan aims to be able to independently measure business performance and results.

The financial information of the Saudi Electricity Company in the following schedule includes the generation activities (the generation license is being transferred to the Saudi Energy Production Company), distribution and subscribers' services, as the procedures are still in progress to separate the generation and distribution activities - until the date of preparing these consolidated financial statements - as part of the company's integrated plan for separation. The financial information of the joint operations presented as an independent sector for the eelectricity production, generation and distribution, and the financial information of the National Grid S.A. Company also includes the activity of transmission of electricity and the operation and maintenance of the transmission system, the financial information of the Saudi Power Procurement Company includes the value of purchasing electricity from the generation and maintenance sector, generating equipment and other energy production companies, and selling electricity to the distribution sector and the other companies' sector includes the telecommunications sector.

For the year ended 31 December 2020 - in SAR Million

	Saudi Electricity Company	National Grid S.A Company	Saudi Power Procurement Company	Joint Operations	Other subsidiaries	Intercompany transactions	Total
Revenue							
External customers	68,549	-	-	-	215	(55)	68,709
Between sectors	-	14,252	90	1,318	-	(15,660)	-
Total revenue	68,549	14,252	90	1,318	215	(15,715)	68,709
Cost of sales							
Fuel	(7,305)	-	-	-	-	-	(7,305)
Purchased energy	(9,136)	-	-	-	-	90	(9,046)
Operating and maintenance costs	(23,981)	(2,014)	-	(347)	(12)	15,583	(10,771)
Government fee	(15,072)	-	-	-	-	-	(15,072)
Depreciation - Operation and Maintenance	(10,674)	(7,209)	-	(367)	(70)	55	(18,265)
Depreciation - Right of Use	(153)	-	-	-	-	-	(153)
Total cost of sales	(66,321)	(9,223)	-	(714)	(82)	15,728	(60,612)
General and administrative expenses	(337)	(100)	(77)	(135)	(72)	-	(721)
Depreciation - general and administrative	(523)	-	-	-	-	-	(523)
Total general and administrative expenses	(860)	(100)	(77)	(135)	(72)	-	(1,244)
Other revenue, net	2,923	12	-	69	19	(1,441)	1,582
Fuel settlement expense	(808)	-	-	-	-	-	(808)
Finance cost, net	(4,420)	(1,448)	(1)	(450)	-	1,428	(4,891)
Loss on share of equity	4	-	-	-	-	-	4
Zakat expenses	137	128	-	25	(5)	-	285
Net (loss) / income for the year	(796)	3,621	12	113	75	-	3,025
As at 31 December 2020							
Property, plant and equipment	256,114	168,313	-	10,421	1,931	-	436,779
Total assets	431,249	168,669	2	11,853	2,202	(128,525)	485,450
Total liabilities	222,499	120,674	-	9,490	1,336	(116,324)	237,675

For the year ended 31 December 2019 – in SAR Million

	Saudi Electricity Company	National Grid S.A Company	Saudi Power Procurement Company	Joint Operations	Other subsidiaries	Intercompany transactions	Total
Revenue							
External customers	64,997	-	-	-	99	(56)	65,040
Between sectors	-	13,227	-	1,271	-	(14,498)	-
Total revenue	64,997	13,227	-	1,271	99	(14,554)	65,040
Cost of sales							
Fuel	(7,576)	-	-	-	-	-	(7,576)
Purchased energy	(9,076)	-	-	-	-	1,271	(7,805)
Operating and maintenance costs	(21,812)	(1,752)	-	(319)	(18)	13,223	(10,678)
Government fees	(14,494)	-	-	-	-	-	(14,494)
Depreciation - operation and maintenance	(10,863)	(7,010)	-	(365)	(36)	69	(18,205)
Depreciation – Right of use asset	(158)	-	-	-	-	-	(158)
Total cost of sales	(63,979)	(8,762)	-	(684)	(54)	14,563	(58,916)
General and administrative expenses	(404)	(221)	(1)	(125)	(40)	-	(791)
Depreciation - general and administrative	(454)	-	-	-	-	-	(454)
Total general and administrative expenses	(858)	(221)	(1)	(125)	(40)	-	(1,245)
Other income, net	3,057	9	-	54	18	(1,482)	1,656
Fuel settlement expense	-	-	-	-	-	-	-
Finance cost, net	(4,398)	(1,497)	-	(473)	9	1,473	(4,886)
Share of loss in equity accounted investees	(40)	-	-	-	-	-	(40)
Zakat and deferred tax expenses	(54)	(153)	-	(6)	(8)	-	(221)
Net (loss) / Income for the year	(1,275)	2,603	(1)	37	24	-	1,388
As at 31 December 2019							
Property, plant and equipment	249,620	161,408	-	10,765	1,176	-	422,969
Total assets	434,138	161,818	2	12,214	1,615	(129,957)	479,830
Total liabilities	372,852	140,686	-	9,705	774	(117,757)	406,260

9. Property, plant and equipment, net

	Land	Buildings	Machinery and equipment	Capital spare parts	Transmission and distribution network	Vehicles and heavy equipment	Others	Construction work in progress	Total
Cost:									
At 1 January 2019	4,245,097	47,773,098	183,367,687	6,203,629	326,145,215	1,820,459	9,756,743	64,494,038	643,805,966
Additions	506,343	3,366,868	7,283,335	344,622	19,567,696	27,573	1,135,457	23,152,352	55,384,246
Transfers from work in progress	-	-	-	-	-	-	-	(31,808,497)	(31,808,497)
Reclassifications	203,519	869,703	(637,933)	1,060	311,396	-	(747,745)	-	-
Disposals	(91)	(14,643)	(275,575)	(1,105)	(129,079)	(5,314)	-	-	(425,807)
At 31 December 2019	4,954,868	51,995,026	189,737,514	6,548,206	345,895,228	1,842,718	10,144,455	55,837,893	666,955,908
Additions	332,296	1,132,152	2,402,345	154,047	20,196,327	16,876	253,571	32,807,878	57,295,492
Transfers from work in progress	-	-	-	-	-	-	-	(24,466,328)	(24,466,328)
Reclassifications	-	8,193,592	(4,779,496)	8,843	350,468	(186,845)	(3,586,562)	-	-
Disposals	(5)	(370)	(43,449)	-	(3,975,705)	(11,409)	(3)	-	(4,030,941)
At 31 December 2020	5,287,159	61,320,400	187,316,914	6,711,096	362,466,318	1,661,340	6,811,461	64,179,443	695,754,131
Accumulated depreciation									
At 1 January 2019	-	18,150,286	76,428,034	2,989,087	121,481,764	1,480,527	5,174,243	-	225,703,941
Depreciation for the year	-	1,663,747	6,543,186	212,165	9,491,434	121,145	623,547	-	18,655,224
Reclassifications	-	23,094	(30,482)	149	25,470	-	(18,231)	-	-
Disposals	-	(11,986)	(256,446)	(867)	(97,712)	(5,220)	-	-	(372,231)
At 31 December 2019	-	19,825,141	82,684,292	3,200,534	130,900,956	1,596,452	5,779,559	-	243,986,934
Depreciation for the year	-	1,739,662	6,770,890	357,387	9,034,493	117,560	700,968	-	18,720,960
Reclassifications	-	3,402,172	(2,167,539)	(154,333)	1,383,809	(216,528)	(2,247,581)	-	-
Disposals	-	(269)	(4,029)	-	(3,717,574)	(11,221)	-		(3,733,093)
As at 31 December 2020	-	24,966,706	87,283,614	3,403,588	137,601,684	1,486,263	4,232,946	-	258,974,801
Net book value									
As at 31 December 2019	4,954,868	32,169,885	107,053,222	3,347,672	214,994,272	246,266	4,364,896	55,837,893	422,968,974
As at 31 December 2020	5,287,159	36,353,694	100,033,300	3,307,508	224,864,634	175,077	2,578,515	64,179,443	436,779,330

- Land includes pieces of land with a book value of SAR 36 million, against which the title deeds are not transferred to the Group yet.

The net book values of the Group's property, plant and equipment (other than construction work in progress) is allocated to the main activities as follows:

As at 31 December 2020	Generation	Transmission	Distribution	General property	Joint operations	Total
Land	131,113	591,091	218,964	4,345,991	-	5,287,159
Buildings	18,567,088	13,815,895	470,930	2,795,503	704,278	36,353,694
Machinery and equipment	84,422,099	3,807,391	404,923	1,816,237	9,582,650	100,033,300
Capital spare parts	2,242,086	720,826	219,495	4	125,097	3,307,508
Transmission and distribution network	-	132,276,726	92,587,908	-	-	224,864,634
Vehicles and heavy equipment	2,584	17,689	-	154,549	255	175,077
Others	1,331,601	571,308	289,532	384,051	2,023	2,578,515
Net book value - net	**106,696,571**	**151,800,926**	**94,191,752**	**9,496,335**	**10,414,303**	**372,599,887**

As at 31 December 2019	Generation	Transmission	Distribution	General property	Joint operations	Total
Land	131,113	591,303	218,969	4,013,483	-	4,954,868
Buildings	16,918,480	11,297,189	459,971	2,770,064	724,181	32,169,885
Machinery and equipment	89,880,098	5,280,984	489,467	1,498,907	9,903,766	107,053,222
Capital spare parts	2,303,945	687,289	230,803	9	125,626	3,347,672
Transmission and distribution network	-	128,654,465	86,339,807	-	-	214,994,272
Vehicles and heavy equipment	4,671	339	8,341	232,512	403	246,266
Others	2,344,910	848,232	396,545	773,656	1,553	4,364,896
Net book value - net	**111,583,217**	**147,359,801**	**88,143,903**	**9,288,631**	**10,755,529**	**367,131,081**

- During the year, the Group reassessed the residual value of all property, machinery and equipment except for land and some other assets including fully depreciated asset, which resulted in the calculation of the residual value of those items at a rate of 1.8% (note 5.1).

Constructions work in progress

	Generation	Transmission	Distribution	General property	Joint operations	Total
At 1 January 2019	18,830,844	28,124,402	13,194,833	4,252,574	91,385	64,494,038
Additions	2,905,933	8,882,106	6,580,339	2,686,608	11,443	21,066,429
Borrowing costs capitalised	799,193	1,015,815	217,242	53,673	-	2,085,923
Transfers from CWIP to fixed assets	(6,034,787)	(16,210,784)	(6,082,194)	(3,387,301)	(93,431)	(31,808,497)
Transfer	(126,460)	94,939	-	31,521	-	-
At 31 December 2019	16,374,723	21,906,478	13,910,220	3,637,075	9,397	55,837,893
Additions	2,871,140	11,101,226	13,445,505	3,684,143	-	31,102,014
Borrowing costs capitalised	649,055	787,290	234,410	35,109	-	1,705,864
Transfers from CWIP to fixed assets	(1,782,749)	(10,174,516)	(10,313,482)	(2,193,215)	(2,366)	(24,466,328)
As at 31 December 2020	18,112,169	23,620,478	17,276,653	5,163,112	7,031	64,179,443

- Additions to projects under construction include capitalised interest of SAR 1.7 billion during 31 December 2020 (31 December 2019: SAR 2.16 billion). The capitalisation rate for the year ended 31 December 2020 was 2.88% (31 December 2019, 4.6%).

11. Right of use assets and lease liabilities

10-A. Right of use assets

	Vehicles and heavy equipment	Land	Buildings	Total
Cost				
As of 1 January 2019	293,661	54,312	710	348,683
Additions	42,084	2,249	10,805	55,138
As of 31 December 2019	335,745	56,561	11,515	403,821
Additions	901	415	17,617	18,933
As of 31 December 2020	336,646	56,976	29,132	422,754
Accumulated depreciation				
As of 1 January 2019	-	-	-	-
Charge for the year	147,512	4,723	6,224	158,459
As of 31 December 2019	147,512	4,723	6,224	158,459
Charge for the year	140,317	4,717	7,930	152,964
As of 31 December 2020	287,829	9,440	14,154	311,423
Net Book Value				
As of 31 December 2019	188,233	51,838	5,291	245,362
As of 31 December 2020	48,817	47,536	14,978	111,331

10-B. Long term lease liabilities

The future minimum lease payments together with the present value of minimum lease payments as of 31 December 2020 are as follows:

	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	59,807	(3,722)	56,085
Between two and five years	39,650	(8,668)	30,982
More than five years	39,103	(8,018)	31,085
Total	138,560	(20,408)	118,152

At 31 December 2020, the lease liabilities are presented in the statement of financial position as follows:

	2020	2019
Current portion	56,085	143,820
Non-current portion	62,067	104,655
Total	118,152	248,475

11. Investment properties

The carrying value of investment properties is SAR 453 million as at 31 December 2020 (31 December 2019: SAR 456 million,). Management performed an independent valuation for investment properties as at 31 December 2020 and determined the fair value of investment properties at SAR 1 billion.

	31 December 2020	31 December 2019
Cost		
As of 1 January	459,888	535,144
Additions	-	-
Transfers from property, plant and equipment	-	128,263
Transfers to property, plant and equipment	-	(203,519)
As of 31 December	459,888	459,888
Accumulated depreciation		
As of 1 January	(4,116)	-
Transfer from property, plant and equipment	-	(1,447)
Charge for the year	(3,120)	(2,669)
As of 31 December	(7,236)	(4,116)
Net Book Value		
As of 31 December	452,652	455,772

An independent valuation of the Group's land classified as investment properties was performed by an independent valuer, Land and buildings were evaluated by Dar Al Qiyas Real Estate Appraisal Company and Partners, a professional company registered with the number 1210000518 (Licensed by Saudi Authority for Accredited Valuers) to determine the fair value as at 31 December 2020.

The following table sets out the valuation techniques used in the determination of fair values of investment properties, as well as the key unobservable inputs used in the valuation models.

The fair value measurement information in accordance with IFRS 13 as at 31 December 2020 which was completed during the 2020, is given below.

	Fair value measurements as at 31 December 2020		
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Fair-value measurements			
Land	-	SAR 903 million	-
Buildings	-	SAR 132 million	-

Valuation techniques used to derive Level 2 fair values:

Level 2 fair values of land have been generally derived using the sales comparison approach. Sales prices of comparable properties are used. The most significant input into this valuation approach is price per square meter.

12. Intangible assets, net

	Pipeline right-of-use	Software	Work in progress*	Total
Cost:				
Balance at 1 January 2019	292,278	436,057	92,421	820,756
Additions	-	-	6,787	6,787
Transfers from projects under implementation	-	73,191	-	73,191
Balance at 31 December 2019	292,278	509,248	99,208	900,734
Additions	-	31,292	-	31,292
Balance at 31 December 2020	292,278	540,540	99,208	932,026
Accumulated amortisation:				
Balance at 1 January 2019	134,720	207,342	-	342,062
Amortisation for the year	12,844	43,226	-	56,070
Balance at 31 December 2019	147,564	250,568	-	398,132
Amortisation for the year	15,775	48,551	-	64,326
Balance at 31 December 2020	163,339	299,119	-	462,458
Net book value:				
At 31 December 2019	144,714	258,680	99,208	502,602
At 31 December 2020	128,939	241,421	99,208	469,568

*The intangible work in process represents computer software.

13. Equity-accounted investees

The balances related to these investments are as follows:

	31 December 2020	31 December 2019
Gulf Cooperation Council Inter-Connection Authority	1,349,714	1,350,702
Gulf Laboratory for Electrical Equipment Diagnoses	110,003	71,695
Al Fadhly Co-Generation Company	-	-
Green Saudi Company for Carbon Services	620	285
	1,460,337	1,422,682
Joint venture		
Global Data Hub Company	4,599	5,000
	4,599	5,000
Total	1,464,936	1,427,682

Gulf Cooperation Council Inter-Connection Authority:

The Company has participated in the capital of the electrical interconnection of the GCC countries in order to enhance the utilization of the transmission and distribution of electric power among the member countries. The total value of participation at the date of incorporation was US $ 484.8 million, equivalent to SAR 1.8 billion.

Gulf Laboratory for Electrical Equipment Diagnoses:

Pursuant to ministerial resolution no (38) dated 10th Safar 1437 H (corresponding to 10th November 2016), Gulf Laboratory for Electrical Equipment Company (closed joint stock company) was established with an authorised share capital of SAR 360 million. The shareholders of Gulf Laboratory for Electrical Equipment Company paid SAR 90 million of the authorised share capital. The Group's share represents 25% of authorized share capital amounting to SAR 22.5 million which was fully paid as at 31 December 2016. During 2017, the authorised share capital was fully paid amounting to SAR 360 million. The share of the Group amounted to SAR 90 million as at 31 December 2017. The company has not yet started its operations. Net book value of investment represents the Group share after pre operating losses.

Al Fadhly Co-Generation Company:

Pursuant to the Board of Directors' resolution no. 5/143/2016 dated 17th Dhul-Hijjah 1437 H corresponding to 20th September 2016, Al Fadhly Co-Generation Company was established for dual production with a share capital of SAR 1.5 million. The Group's share represents 30% of the share capital. Net book value of investment represents the Group's share after pre operating losses.

Green Saudi Company for Carbon Services:

The Group participated in the establishment of Green Saudi Company for Carbon Services which is a limited liability company with a capital of SAR 1 million. The Group's share amounted to SAR 510 thousand represents 51% of the share capital of the Company. During 2020, the company's capital has been increased to SAR 510 thousand, and the paid share of the company is SAR 1 million, as on December 31, 2020, the mentioned company has not started its operational activities yet. The carrying amount of the investment represents the net paid-up capital discounted pre-operating expenses

Global Data Hub Company:

Dawiyat Telecommunication Company established its Global Data Hub company on 11th September 2018 (50% ownership) in the Kingdom of Saudi Arabia. Its main activity is the extension of networks, extension and installation of computer networks, communications, operating systems, computer consultancy and computer facilities management services and information technology). The necessary licenses have been finalized and is being treated as a joint venture and accounted in the same way as equity investments.

The movement in equity investments recognised under the equity method is as follows:

	GCC Inter-Connection Authority	Gulf Laboratory for Electrical Equipment Diagnoses	Al Fadhly Co-Generation Company	Green Saudi Company for Carbon Services	Global Data Hub Company	Total
Balance at 1 January 2019	1,389,321	77,858	1,126	510	5,000	1,473,815
Additions	-	-	-	206	-	206
Share in net losses	(38,619)	(6,163)	4,984	(431)	-	(40,229)
Share in OCI	-	-	(6,110)	-	-	(6,110)
Balance at 31 December 2019	1,350,702	71,695	-	285	5,000	1,427,682
Additions	-	63,000	-	510	-	63,510
Share in net losses	(988)	(24,692)	30,593	(175)	(401)	4,337
Share in OCI	-	-	(30,593)	-	-	(30,593)
Balance at 31 December 2020	1,349,714	110,003	-	620	4,599	1,464,936

The following table represents the financial information relating to the Group's investment in the Electricity Interconnection Authority of the GCC States:

	31 December 2020	31 December 2019
Current assets	822,801	706,024
Non-current assets	3,514,915	3,596,865
Current liabilities	114,888	68,854
Non-current liabilities	51,734	59,813
Equity	4,171,094	4,174,222

	31 December 2020	31 December 2019
Operating income	266,608	153,313
Cost of sales	(177,099)	(199,845)
Gross profit / (loss)	89,509	(46,532)
General and administrative expenses	(95,104)	(93,816)
Operating loss for the year	(5,595)	(140,348)
Other income, net	4,987	20,065
Finance income	10,034	15,961
Profit / (loss) for the year	9,426	(104,322)

* Other equity accounted investees are not disclosed as those investments are not material to the Group.

14. Financial assets at amortised cost

	31 December 2020	31 December 2019
Sadara Company for Basic Services' Sukuk "Sadara"	19,195	21,593
Arabian Aramco Total Services Company's Sukuk "Satorp"	14,995	16,864
	34,190	38,457
(Increase in the provision for financial assets at amortized cost)	(76)	(76)
	34,114	38,381

15. Financial assets through other comprehensive income

	31 December 2020	31 December 2019
Shuaiba Water and Electricity Company *	189,903	171,921
Shuquiq Water and Electricity Company *	76,944	88,261
Jubail Water and Power Company *	65,930	49,301
Shuaibah Expansion Holdings *	16,841	15,592
Total	349,618	325,075

* The dividends received by the Group amounted to SAR 34.6 million (2019: SAR 57.6 million).

Fair value information in accordance with IFRS 13 is set out in Note 46.3.

16. Inventories, net

	31 December 2020	31 December 2019
Material and supplies - Generation plant *	2,476,851	2,692,272
Materials and supplies - Distribution network *	1,490,280	1,600,921
Materials and supplies - Transmission network *	361,378	363,665
Fuel and oil	1,304,368	1,161,071
Others *	112,477	55,110
Total	5,745,354	5,873,039
Less: Provision for slow moving inventories (a)	(807,871)	(817,125)
Total	4,937,483	5,055,914

* During the year ended 31 December 2020, an amount of SAR 429 million (2019: SAR 471 million) has been recorded as an impairment against inventories.

A) The movement in the provision for slow-moving inventories during the year is as follows:

	31 December 2020	31 December 2019
Balance at the beginning of the year	817,125	1,129,600
Reversal for the year	(9,254)	(312,475)
Balance at the end of the year	807,871	817,125

17. Receivables from sale of electricity, net

Receivable from consumption of electricity	31 December 2020	31 December 2019
Governmental institutions (a)	11,476,392	26,753,439
Commercial and residentials	12,614,486	9,296,046
Receivables form electricity service connection projects (a)	2,083,300	2,417,750
Due from related parties	795,454	2,980,636
Other government receivables (b)	6,131,363	1,125,463
Total electricity consumers' receivable	33,100,995	42,573,334
Less: provision for doubtful receivables (a)	(1,467,536)	(1,549,779)
Add: Unbilled revenues	3,335,186	3,860,449
Total	34,968,645	44,884,004

a) The balances as of December 2019 amounting to SAR 32.4 billion has been transferred to Mudaraba instrument (note 24).

b) This balance represents the amount receivable from Ministry of Finance with regards to the balancing account (note 40).

B) The movement in the provision for doubtful receivables during the year is as follow:

	31 December 2020	31 December 2019
Balance at the beginning of the year	1,549,779	1,614,560
Charge for the year	204,122	76,326
Written off during the year	(286,365)	(141,107)
Balance at the end of the year	(1,467,536)	1,549,779

18. Debit balances and advances

	31 December 2020	31 December 2019
Due from related party		
Jubail Water and Power Company	284,124	271,874
Advances to:		
Contractors and suppliers	295,130	402,116
Employees	44,070	46,833
	623,324	720,823

19. Prepayments and other receivables

	31 December 2020	31 December 2019
Prepaid and other expenses	32,467	21,332
Insurance and other claims	168,415	144,482
Other receivables, net *	754,497	1,289,843
	955,379	1,455,657
Less: Provision for other doubtful receivables (a)	(235,899)	(186,383)
Total	719,480	1,269,274

* Other receivables include amounts of SAR 1.9 billion as of 31 December 2020, resulting from offsetting government electricity consumption receivable with government payables.

A) The movement in the provision for doubtful receivables during the year is as follow:

	31 December 2020	31 December 2019
Balance at the beginning of the year	186,383	57,254
Charge for the year	49,516	129,129
Balance at the end of the year	235,899	186,383

20. Cash and cash equivalents

	31 December 2020	31 December 2019
Cash in hand	4,037	4,110
Cash at banks	4,447,055	1,511,127
Short-term bank deposits	88,000	403,067
	4,539,092	1,918,304

21. Share capital

The Company's share capital is divided into 4,166,593,815 shares of SAR 41,665,938,150 with a nominal value of SAR 10 per share. The Government of Saudi Arabia's shareholding of 74.31% in the Company was transferred to the Public Investment Fund by Royal Decree No. 47995 dated 19th Shawwal 1438H (13th July 2017).

22. Transactions with owners, recognised directly in equity

In accordance with the Group's Articles of Association, dividends of at least 5% of paid up capital, net of reserves, should be distributed to shareholders. As per the Council of Ministers' Resolution No.169 dated 11th Sha'aban 1419H, the Government has waived its share in the distributed dividends for a period of ten years from the date of the Company's formation, provided that dividends do not exceed 10% of the par value of the shares. In cases where the distribution exceeds 10% of the shares' par value, the Government's share shall be treated similar to other shareholders. The Government has agreed to extend this waiver for another ten years based on the Council of Ministers' Resolution No. 327 dated 24th Ramadan 1430H corresponding to 13 September 2009 to extend a Government's waiver for its share of the income distributed by the Company for ten more years ended on 12 September 2019.

On 20 April 2020, the Public Investment Fund "the Fund" has waived its share of dividends for the year 2019 in order to achieve the desired goals of restructuring the electricity sector and ensuring the financial and operational sustainability of the Company.

The Company's General Assembly, at its meeting held on 10 Shawwal 1441H corresponding to 2 June 2020, approved a dividend of 7% for the year 2019 for individuals contributing SAR 749.3 million representing SAR 0.7 per share (2018: SAR 749.3 million).

The general assembly, in its meeting held on 12 Jumada Awal 1441H (corresponding to December 27, 2020), agreed to deal with the profits of the Saudi Arabian Oil Company (Saudi Aramco) for the period since the incorporation of the Company until the end of 1439H, which amounted to SAR 3.4 billion, provided that this amount be treated as a debt the Company must, in favour of the ministry of finance, included of the mention above profit within a Mudaraba instrument (note 24).

The Board of Directors of the Saudi Electricity Company recommended, in its meeting held on 16th Shaban, 1442 AH, corresponding to 29th March 2021, to the Company's general assembly of shareholders to pay cash dividends for the financial year 2020 to the shareholders of the Company amounting to SAR 2.917 million at a rate of SAR 0.70 per share, representing 7% of the nominal value per share (2019: SAR 749 million Saudi riyals)

23. Reserves

Statutory reserves

In accordance with the Company's Articles of Association, the Company is required to transfer each year 10% of its net income to form a statutory reserve until the reserve reaches 30% of the capital. The statutory reserve is not available for distribution.

General reserve

General reserve consists of the balances of the reserves that were reflected in the consolidated financial statements of the Saudi Electricity Company at the date of the consolidation (note 1), in addition to the collections of surcharges from individuals subsequent to 31 December 2001.

Contractual reserve for Mudaraba financial instrument

The General Assembly, in its meeting held on 12th Jumada Awal 1441H (corresponding to 27th December 2020), approved the establishment of a contractual reserve for the purpose of paying the profits on agreement concluded between the Company and the Ministry of Finance, referred to as the Mudaraba Agreement. Furthermore, authorized the Board of Directors to transfer the amount from the

Company's retained profits to the contractual reserve and use the agreed reserve to pay the Mudaraba profits in accordance with the provisions of the Mudaraba Agreement. An amount of SAR 927 million has been transferred for the period from the commencement of the agreement until 31st December 2020.

24. Mudaraba instrument

Pursuant to the letter received from His Royal Highness the Minister of Energy, chairman of the ministerial committee for the restructuring of the electrical sector (No. 01-2057-1442H dated 03/29/1442H (corresponding to 11/15/2020), regarding the issuance of a royal order approving the settlement of net government dues from the Company and signing Mudaraba agreement with the government of the Kingdom of Saudi Arabia (the government) represented by the Ministry of Finance, to transfer the net financial liabilities accrued to the government by the Company, amounting to SAR 167.9 billion, into a financial instrument within equity.

The General Assembly, held on 12/05/1442H corresponding to 27/12/2020, approved to create contractual reserve to pay for the profits from the contractual agreement concluded between the Company and the Ministry of Finance and referred to in the Mudaraba agreement.

The net financial liabilities accrued to the government on the Company amounting to SAR 167.92 billion have been transferred to a secondary financial instrument, unsecured, with an unspecified, recoverable term, and an annual profit margin of 4.5% for a period of 3 years ending in 2023, provided that the margin is recalculated. Profit for the following years according to the mechanism set out in the agreement. The profit margin is payable in the case that it is decided to distribute cash dividends to holders of ordinary shares and collect any amounts due from the budget account, this instrument is compliant with the provisions of sharia compliant, and is classified under the Consolidated statement of equity, it has no effect on the percentage of ownership of the company's shareholders and the related rights, the instrument is considered recoverable only in the event of the end of the company's term or the date on which the company pays all amounts or any other amounts accrued under the agreement, whichever is earlier. The financial instrument included restrictions on some decisions on which the company's management must obtain the approval of the owner of the instrument.

The payment obligations of Saudi Electricity Company under this Agreement shall constitute direct, unsecured and subordinated obligations and rank after all senior obligations, rank pari passu with all other equivalent obligations and rank senior only to the junior obligations.

The general assembly, in its meeting held on 12th Jumada Awal 1441H (corresponding to 27th December 2020), agreed to settle the dividends accrued to Saudi Aramco, book value of the accrual was transferred to the Ministry of Finance covering the dividends for Saudi Aramco's shares in the Company for the period since its establishment until the end of 1439H amounting to SAR 3.4 billion, and the amount included in the amount of the financial instrument is added.

Below is the reconciliation of the Mudaraba instrument in term of fair value;

The following are the details of the net government liabilities that have been agreed upon between the company and the government to create the financial instrument:

	31 December 2020 (SAR in billion)
Loan from the government (note 33)	50.6
Deferred government grant (note 27)	41.7
Retained earnings	(8)
Government payable (note 32)	110.3
Other payables (note 29)	2.3
Dividend payable to Saudi Aramco - prior 2017 (note 22) – retained earning	3.4
Less: Receivable from consumption of electricity - government (note 17)	(32.4)
Net liabilities reclassified to Mudaraba instrument	167.9

Below is the reconciliation of the Mudaraba instrument in term of fair value;

	31 December 2020	31 December 2019
Fair value of Mudaraba instrument (a)	159,169,000	-
Fair value adjustment of Mudaraba instrument	(8,751,563)	-
Mudaraba instrument	167,920,563	-

A) The fair value measurement information in accordance with IFRS 13 as at 31 December 2020, is given below.

	Fair value measurements as at 31 December 2020		
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Fair-value measurements			
- Mudaraba instrument	-	-	SAR 159 billion

The fair value of the Mudaraba is determined based on an income approach where perpetual cash flows based on the profit rate of the instrument are discounted at an appropriate discount rate of 4.3% derived based a cost of debt reflecting a yield to maturity of KSA Government Sukuk with longest maturity plus a premium for the perpetual nature of the instrument.

The regulatory weighted average cost of capital is estimated at 6% based on the Capital Asset Pricing Model using market-based assumptions and is considered a close proxy to the contractual WACC for the fair valuation purposes.

In addition, the redemption option is estimated based on an appropriate option pricing model which incorporates interest rate volatilities. The above inputs to the valuation are considered to be under Level 3 of the fair value hierarchy.

25. Employees' benefits obligation

		31 December 2020	31 December 2019
Employees' end of service benefits	25.1	5,260,867	4,566,697
Employees' savings fund	25.2	890,006	722,850
Human resources productivity improvement program	25.3	1,109,077	1,290,789
		7,259,950	6,580,336

25.1. Employee end of services benefits

The Group carried out an actuarial valuation for employees' end of service benefits, using the projected unit credit method for its liability as at 31 December 2020 and 31 December 2019 arising from the end of service benefits.

The key demographic assumptions for the valuations are shown in the table below:

Withdrawal Rate Age (years)	Rate for the year 2020	Rate for the year 2019
18-35	1.4%	1%
36-40	3.6%	3%
41-45	10%	15%
46+	19.9%	30%

Assumed retirement age	58 years and 3 months (Gregorian calendar). Employees older than the normal retired age are assumed to retire immediately on valuation date.
Pre-retirement mortality	The Group based the pre-retirement mortality on the life table for Saudi Arabia, sourced on countries that do not differ substantially from Kingdom of Saudi Arabia.

The economic assumptions for the valuations are shown in the table below:

	31 December 2020	31 December 2019
Gross discount rate	2.1%	3%
Price inflation	2%	2%
Salary inflation	2-4%	4%

Sensitivity Analysis:

	Impact on defined benefit obligations 2020	
	1% Increase	1% Decrease
Payroll inflation	324,560	(288,112)
Discount rate	(448,227)	574,815

	Impact on defined benefit obligations 2019	
	1% Increase	1% Decrease
Payroll inflation	331,451	(297,679)
Discount rate	(277,784)	315,425

The reconciliation of the defined benefit obligation for the year ended 31 December 2020 and 2019:

	Statement of income	Re-measurement	Cash movements	Total
As at 1 January 2019				3,870,088
Current service cost	351,443	-	-	351,443
Interest cost	177,923	-	-	177,923
(Gain) / loss from change in economic assumptions	-	442,903	-	442,903
(Gain) / loss from change in demographic assumptions	-	41	-	41
Experience loss (gain)	-	(16,212)	-	(16,212)
Benefit payments	-	-	(259,489)	(259,489)
Total movement during the year	529,366	426,732	(259,489)	696,609
As at 31 December 2019				4,566,697
Current service cost	438,993	-	-	438,993
Interest cost	136,927	-	-	136,927
(Gain) / loss from change in economic assumptions	-	130,281	-	130,281
(Gain) / loss from change in demographic assumptions	-	53,177	-	53,177
Experience loss (gain)	-	84,912	-	84,912
Benefit payments	-	-	(150,120)	(150,120)
Total movement during the year	575,920	268,370	(150,120)	694,170
As at 31 December 2020				5,260,867

25.2. Employees' savings fund

In accordance with Article 145 of the Labor Law, and in line with the Board of Directors' meeting held on 23rd Safar 1429H (corresponding to xx March 2008), the Savings Plan Program was applied to encourage Saudi employees in the Company to save and invest their savings in areas that are more beneficial to them to secure their future and as an incentive for them to continue working with the Company.

Participation in the Fund is restricted to Saudi employees only and is optional for the employee who wishes to contribute a monthly minimum of 1% to a maximum of 10% of their basic salary.

	31 December 2020	31 December 2019
Balance at the beginning of the year	722,850	614,331
Charge for the year	149,107	138,470
Paid during the year	(29,689)	(58,744)
Net change in the assets of the Fund	47,738	28,793
Balance at the end of the year	890,006	722,850

The following are the liabilities balances of the Saving Fund:

	31 December 2020	31 December 2019
Contribution by the Company	795,556	664,377
Employees' contribution	679,937	596,221
Total liabilities	1,475,493	1,260,598

The following are the assets of the Saving Fund:

	31 December 2020	31 December 2019
Balances and deposits with banks	420.465	347,726
Investments in Sukuks	165.022	190,022
Total assets of the Fund	585,487	537,748

25.3. Human resources productivity improvement program

The Company is committed to improve the productivity of human resources by increasing employees' efficiency through the Company's endeavor to improve HR productivity, raise the level of employee efficiency, and reduce the total costs of HR, which will have a positive impact on the Company's performance in the future, the company launched a program to improve HR productivity, which includes the special offer programs and the alignment program. Those eligible for this program are the Saudi employees who meet the terms and conditions of this program, the employees participating in the mentioned programs are entitled to benefits as calculated in the following assumptions:

The Company has carried out actuarial studies for the mentioned programs on 31st December 2020 by an actuary. The following are additional assumptions used in evaluating these programs:

Economic assumption used in valuation of Mowama:

	31 December 2020	31 December 2019
Discount rate	0.83%	2.4%
Inflation rate	5%	5%
Mortality	The Group based its pre-retirement Mortality, on countries that do not differ substantially with the life table in the Kingdom of Saudi Arabia.	

Economic assumption used in valuation of Special offer:

	31 December 2020	31 December 2019
Discount rate	0.35%	2%
Inflation rate	5%	5%

- Each employee entitled to a special offer is likely to receive the offer in any year;
- Annual cost of sponsorship for program members has been approved based on the average actual cost of the Company;
- All benefits under the Plan shall cease upon death or at the age of 60, whichever is earlier;
- Mortgage loans related to premium support will not expire before the employee reaches age 60.

	31 December 2020	31 December 2019
Special payment offers	327,773	424,398
Mowama offer	781,304	866,391
	1,109,077	1,290,789

Productivity of human resources movement are shown in the table below:

	31 December 2020	31 December 2019
Balance at the beginning of the year	1,290,789	1,578,573
Increase during the year:		
Special payment offers	47,926	60,647
Mowama	43,490	85,859
Total increase during the year	91,416	146,506
Paid during the year	(273,128)	(434,290)
Balance at the end of the year	1,109,077	1,290,789

26. Deferred revenue

Deferred revenue represents amounts collected for delivery of power supply to completed projects and is amortised on a straight-line basis based on the average useful life of the equipment used, estimated 35 years.

	31 December 2020	31 December 2019
Balance at the beginning of the year	52,076,175	45,728,340
Received during the year	8,496,647	8,181,732
Recognised during the year	(1,928,389)	(1,833,897)
Balance at the end of the year	58,644,433	52,076,175

	31 December 2020	31 December 2019
Current portion	2,024,808	1,925,592
Non-current portion	56,619,625	50,150,583
	58,644,433	52,076,175

27. Deferred government grants

This includes government grant received to Dawiyat (a subsidiary) from Ministry of Communication and Information Technology amount to SAR 1.1 billion (2019: SAR 576 million) against the implementation of the fibre optic network.

The entire balance of deferred government grant has been transferred to Saudi Electricity Company amounting to SAR 41.7 billion, which represents the difference between the amount received from the government as soft loans and the present values of these loans at the initial recognition of the loan received, has been transferred to and become an integral part of Mudaraba instrument (note 24).

	31 December 2020	31 December 2019
Balance at the beginning of the year	43,665,327	44,539,395
Government grants received during the year	552,743	453,006
Amortisation during the year	(1,356,435)	(1,327,074)
Transfer to Mudaraba instrument (note 24)	(41,772,258)	-
Balance at the end of the year	1,089,377	43,665,327

28.Asset retirement obligations

	31 December 2020	31 December 2019
Balance at the beginning of the year	268,262	258,534
Additions during the year	(5,838)	-
Increase in the present value during the year	8,001	9,728
Balance at the end of the year	270,425	268,262

The balance of the asset retirement obligation is stated at the present value of the future obligation after taking into consideration the discount factor.

29. Trade Payables

	31 December 2020	31 December 2019
Saudi Aramco costs of fuel	112,243,252	103,478,397
Transferred to government payable (a)	(103,521,340)	(88,007,942)
	8,721,912	15,470,455
Saline Water Conversion Corporation – payable (b)	354,349	515,354
Contractors and retention payables	1,784,578	1,150,149
Purchased power payable (a)	1,758,541	2,982,241
Accounts payable	674,990	570,030
Others (b)	851,272	1,736,644
	14,145,642	22,424,873

A) This amount represents payable relating to fuel for the period from 5 April 2000 to 31 December 2017, which was transferred from Saudi Aramco account to Government accounts and an amount of SAR 6.8 billion has been transferred from the purchased energy payable (Independent Power Producer fuel receivable). The total amount transferred to the Government during the current years amount to SAR 18 billion (note32).

B) In addition to this, the Company set off fuel liability amounting to SAR 7.8 billion for the year ended 2020 against the purchase power receivables amounting to SAR 1.7 billion for the year ended 2020 (note 1).

C) Includes an amount of SAR 2.3 billion which was transferred to Mudaraba instrument (note 24).

30. Accruals and other payables

	31 December 2020	31 December 2019
Accrued expenses	11,435,559	4,840,285
Accrued employees' benefits	797,469	704,895
Dividends payable	455,841	425,798
Accrued interest expenses	808,814	875,831
Accrued government fees *	12,778,238	5,864,162
Others	13,180	38,311
	26,289,101	12,749,282

* The Company is in the process to discuss the settlement of the amount with Ministerial committee (note 1).

31. Provision for other liabilities and charges

	Provision
At 1 January 2019	335,341
Charge for the year	79,883
Paid /reversed during year	(111,071)
At 31 December 2019	304,153
Charge for the year	136,829
Paid /reversed during year	(75,571)
At 31 December 2020	365,411

The balance mainly includes the provision for a lawsuit against the Company related to claims for compensation, in addition to the balance of Zakat provision.

32. Payables to the government

The payables to the government as of 31 December 2020 is NIL and as of 31 December 2019 is SAR 92.4 billion in addition to an amount of SAR 18 billion, leading to total amount of SAR 110.3 billion, which represents the amount payable for fuel for the period from 5 April 2000 to 31 December 2020 pursuant to the ministerial minutes of the meeting and resolutions which resolved to transfer the Group's liability to Saudi Arabian Oil Company ("Saudi Aramco") to the account of the Ministry of Finance according to specific procedures and approvals, and that the last one was at the end of 2020. The balance has been included as a part of settlement under Mudaraba Instrument (note 24).

33. Financial liabilities

33.1. Financial liabilities other than interest bearing

	31 December 2020	31 December 2019
Derivative financial instruments		
Derivative financial instruments at fair value	1,065,017	633,802
	1,065,017	633,802
Other financial liabilities carried at amortized cost, other than interest bearing loans		
Trade payables	14,145,642	22,424,873
Accruals and other payables	26,289,101	12,749,282
Payables to the government	-	92,495,037
Refundable deposits from customers	1,997,558	1,997,932
Total other financial liabilities carried at amortized cost, other than interest bearing loans	42,432,301	129,667,124

33.2. Interest bearing liabilities

Classification of borrowings as appearing in the consolidated statement of financial position as of 31 December 2020 is as follows:

	Term Loans	Sukuks	Government loans	Total
Non-current	56,145,525	44,160,434	-	100,305,959
Current	13,413,842	-	-	13,413,842
	69,559,367	44,160,434	-	113,719,801

Classification of borrowings as appearing in the consolidated statement of financial position as of 31 December 2019 is as follows:

	Term Loans	Sukuks	Government loans	Total
Non-current	52,474,050	39,289,736	47,698,302	139,462,088
Current	19,179,264	-	1,000,000	20,179,264
	71,653,314	39,289,736	48,698,302	159,641,352

Movement in borrowings during the year is as follows:

	Term loans	Sukuks	Government loans	Total
As at 1 January 2019	71,832,637	39,289,162	46,456,909	157,578,708
Proceeds from borrowings	16,161,958	-	-	16,161,958
Repayments of borrowings	(16,252,043)	-	-	(16,252,043)
Additions to deferred costs	(89,238)	574	-	(88,664)
Unwinding of discount for government loans	-	-	2,241,393	2,241,393
As at 31 December 2019	71,653,314	39,289,736	48,698,302	159,641,352
Proceeds from borrowings	10,043,960	4,875,000	-	14,918,960
Repayments of borrowings	(12,155,719)	-	-	(12,155,719)
Additions to deferred costs	17,812	(4,302)	-	13,510
Unwinding of discount of Government loans	-	-	1,937,082	1,937,082
Transferred to Mudaraba instrument (note 24)	-	-	(50,635,384)	(50,635,384)
As at 31 December 2020	69,559,367	44,160,434	-	113,719,801

33.2.1. Term loans

Non-current:	31 December 2020	31 December 2019
Saudi Electricity Company	48,544,121	44,533,338
Joint operations	7,601,404	7,940,712
	56,145,525	52,474,050

Current:	31 December 2020	31 December 2019
Saudi Electricity Company	12,920,878	18,658,632
Joint operations	492,964	520,632
	13,413,842	19,179,264

The following are Long-term loans:

	Loan currency	Maturity date	Principal amount	31 December 2020	31 December 2019
Domestic Bank 1	SAR	2020	6,000,000	-	272,727
Domestic Bank 2	SAR	2025	5,000,000	1,921,600	2,306,400
Domestic Bank 3	SAR	2025	10,000,000	6,761,906	8,114,286
Domestic Bank 4	SAR	2020	1,500,000	-	375,000
Domestic Bank 5	SAR	2021	1,300,000	216,667	649,999
Domestic Bank 6	SAR	2026	3,500,000	2,625,000	2,625,000
Domestic Bank 7	SAR	2024	2,400,000	2,340,000	2,400,000
Domestic Bank 8	SAR	2026	15,200,000	15,200,000	8,800,000
Domestic Bank 9	SAR	2029	1,850,000	1,850,000	1,850,000
Domestic Bank 10*	SAR	2027	9,000,000	3,000,000	
Direct loan from the Public Investment Fund	SAR	2024	2,583,375	756,413	971,349
International syndicated loan 1	USD	2021	4,057,417	146,353	508,484
International Bank 2	USD	2024	3,709,125	969,903	1,279,138
International syndicated loan 3	USD	2026	5,251,120	2,625,128	3,063,048
International syndicated loan 4	USD	2028	7,240,715	4,687,886	5,291,705
International Bank 5	USD	2021	5,625,710	936,933	2,812,721
International syndicated loan 6	USD	2029	3,375,585	2,531,671	2,813,023
International syndicated loan 7	USD	2029	1,575,336	1,181,507	1,312,804
International syndicated loan 8	USD	2022	6,562,878	6,562,878	6,562,878
Total value			**95,731,261**	**54,313,845**	**52,008,562**
Less: The current portion of long-term loans				(5,404,683)	(7,092,371)
Less: The Unamortised portion of the prepaid fees				(365,041)	(382,853)
Non-current portion of long-term loans				48,544,121	44,533,338

* Murabaha Loan with Group of local banks, the finance period is 7 years to finance the operations of the company including capitalization expenditures.

The following are short-term loans:

	Loan currency	Principal amount	31 December 2020	31 December 2019
Domestic revolving bank loan 1	SAR	1,000,000	500,000	500,000
Domestic bank facilities 2	SAR	1,000,000	-	1,000,000
Domestic bank facilities 4	SAR	1,500,000	1,000,000	1,500,000
Domestic bank facilities 5	SAR	500,000	-	500,000
International syndicated loan 3	USD	8,066,263	5,920,748	8,066,261
Commercial payment facility	SAR	550,000	95,447	-
Total short-term loans		12,616,263	7,516,195	11,566,261
Add: current portion of long-term loans			5,404,683	7,092,371
Total short-term loans and current portion of long-term loans			12,920,878	18,658,632

Bank loans for joint operations:

The Group's share in bank loans for joint operations is as follows:

	Loan currency	Maturity date	Principal amount	31 December 2020	31 December 2019
Domestic Bank 1	SAR	2032	3,104,704	2,780,582	2,891,685
International Bank 2	USD	2033	832,400	729,553	751,470
International Bank 3	USD	2028	241,000	129,056	146,268
International Bank 4	USD	2033	174,000	151,273	154,945
International Bank 5	USD	2033	142,500	123,754	126,758
International Bank 6	USD	2032	951,422	822,660	852,193
International Bank 7	USD	2026	1,736,250	870,791	997,037
Domestic Bank 4	SAR	2036	1,223,000	1,078,381	1,114,915
Domestic Bank 5	SAR	2032	1,109,550	955,533	974,880
Shareholders' loan	SAR	-	50,000	50,000	50,000
International Bank 8	USD	2033	234,179	190,609	201,642
Domestic Bank 6	SAR	2032	495,500	398,482	423,405
Total			**10,294,505**	**8,280,674**	**8,685,198**
Less: Current portion of long-term loans				(492,964)	(520,632)
Less: Unamortised portion of upfront and other fees				(186,306)	(223,854)
Non-current portion of long-term loans				7,601,404	7,940,712

33.2.2. Sukuk

The outstanding Sukuk as of 31 December 2020 are as follows:

Local sukuk

Issue	Date of issue	Par value	Total issued amount	Maturity date
Sukuk 3	10 May 2010	SAR 10 Thousand	SAR 5.73 Billion	2030
Sukuk 4	30 January 2014	SAR 1 Million	SAR 4.5 Billion	2054

The above Sukuk have been, issued at par value with no discount or premium. The Sukuk bear a rate of return at SIBOR plus a margin payable quarterly from the net income received from the Sukuk assets held by the Sukuk custodian "Electricity Sukuk Company", a wholly owned subsidiary of the Group.

The Company has undertaken to purchase these Sukuk from Sukuk holders at dates specified in prospectus. At each purchase date, the Group will pay an amount of 5% to 10% of the aggregate face value of the Sukuk as bonus to the Sukuk holders. The purchase price is determined by multiplying Sukuk's par value at the percentage shown against the purchase date, as follows:

	Percentage		
	90%	**60%**	**30%**
	First purchase date	Second purchase date	Third purchase date
Sukuk 3	2022	2024	2026

	Percentage		
	95%	**60%**	**30%**
	First purchase date	Second purchase date	Third purchase date
Sukuk 4	2024	2034	2044

The Group repurchased SAR 1.27 billion during second quarter of 2017, out of total Sukuk 3 issue of SAR 7 billion. The remaining balance has been rescheduled until it is fully purchased before May 2022.

Global Sukuk

1. During April 2012,the Group issued a global Sukuk amounting to SAR 6.6 billion equivalent to (US$ 1.75 billion). The issuance consists of two tranches of Sukuk certificates. The first tranche amount to US$ 0.5 billion maturing after 5 years with fixed rate of 2.665%, the second tranche amount to US$ 1.25 billion maturing after 10 years with fixed rate of 4.211%. The Group has repaid SAR 1.9 billion (US $ 0.5 billion) during the first quarter of 2017, representing the repayment of the first type of these Sukuk.

2. During April 2013, the Group also issued a global Sukuk amounting to SAR 7.5 billion equivalent to (US$ 2 billion). The issuance consists of two tranches of Sukuk certificates. The first tranche amounting to SAR 3.75 billion (US$ 1 billion) will mature after 10 years with a fixed rate of 3.473%. The second tranche amounting to SAR 3.75 billion (US$ 1 billion) will mature after 30 years with a fixed rate of 5.06%.

3. During April 2014, the Group also issued a global Sukuk amounting to SAR 9.4 billion equivalent to (US$ 2.5 billion). The issuance consists of two tranches of Sukuk certificates. The first tranche with a value of SAR 5.6 billion (US $ 1.5 billion), will mature after 10 years with a fixed interest rate of 4% and the second with a value of 3.75 billion Saudi Riyals (US $ 1 billion) is due after 30 years with a fixed rate of 5.5%.

4. During September 2018, the Group also issued a global Sukuk amounting to SAR 7.5 billion equivalent to US$ 2 billion. The issuance consists of two tranches of Sukuk certificates. The first with a value of SAR 3 billion (US $ 800 million), have 5 years and four month tenure with a fixed interest rate of 4.222% per annum and the second with a value of SAR 4.5 billion Saudi Riyals (US $ 1.2 billion), have 10 years tenure with a fixed rate of 4.723% per annum.

5. During September 2020 the Company issued an international green Sukuk amounting to SAR 4.87 Billion (US$1.3 billion). The issuance consists of two types of Sukuk certificates. The first one with value of SAR 2.43 billion (US$ 650 million) maturing after 5 years tenure with a fixed rate 1.74% and the second one with a value SAR 2.43 billion (US$ 650 million) maturing after 10 years tenure with fixed rate 2.413%.

33.2.3 Government loans

1. Pursuant to the Council of Ministers' resolution number 169 dated 11th Sha'ban 1419H Corresponding30 th November,1998 the net dues of the Government to the Group and the net dues of the Group to the Government, were determined in accordance with rules and procedures stipulated for in the minutes of meetings signed by the Minister of Industry and Electricity and the Minister of Finance and National Economy dated 27th Jumad Thani 1418H corresponding to 29th October 1997. The net difference payable to the Government by the Group, as determined on the business day preceding the issuance of the Royal Decree for the incorporation of the Group, is a non-interest-bearing long-term loan with a grace period of twenty five years starting from the date of the announcement of the incorporation of the Group. The loan is to be revisited later, subject to the financial condition of the Government and the Group.

   The minutes of the meeting held on 21st Rajab 1422H corresponding to 8th October 2001 between the Minister of Industry and Electricity and the Minister of Finance and National Economy in which the initial amount of the Government loan was determined, states that the final settlement of Government accounts will be subject to the reconciliation for the claims of the Group from Government entities, and the loan amount shall be adjusted accordingly. During 2005, the Group finalised the amount due, which included the claims of the Group and the amounts due to the Government and the agreement was signed between the Minister of Water and Electricity and the Minister of Finance on 15th Rajab 1426H corresponding to 19th August 2005 which brought the balance of Government loan amounted to SAR 14.9 billion. The Group is working with negotiators to find suitable alternatives to deal with the balances of these loans in order to enhance the financial position of the Group and its important role in providing energy in all sectors of the country.

2. The Council of Ministers approved in its meeting held on Monday 12th Jumad Awal 1431H corresponding to 26th April 2010 to grant the Group a loan amounting to SAR 15 billion repayable over 25 years. The loan was paid to the Group within 2 years in accordance with an agreement made for this purpose between the Ministry of Finance and the Group. This loan was fully drawn as at 31st December 2020 (31 December 2019: fully drawn). The Group has classified the amount received from the government loan above, at its present value.

3. The Council of Ministers approved in its meeting held on Monday 11th Rajab 1432H corresponding to 13th June 2011 to grant the Group a loan amounting to SAR 51.1 billion repayable over 25 years. The loan has no interest charge and will be paid to the Group within 5 years in accordance with an agreement made for this purpose between the Ministry of Finance and the Group. The amount of SAR 38.3 billion was withdrawn from the loan as at 31 December 2020 (31 December 2019: SAR 38.3 billion). The Group has recognised the amount received from the above government loan, at its present value.

4. The Council of Ministers approved in its meeting held on Monday 9 Jumad Awal 1435H corresponding to 10 March 2014 to grant the Group a loan amounting to SAR 49.4 billion repayable over 25 years. The loan is interest free and will be paid to the Group within 5 years in accordance with an agreement made for this purpose between the Ministry of Finance and the Group. An amount of SAR 16.1 billion from this loan has been drawn as at 31 December 2020 (31 December 2019: SAR 16.1 billion). The Group has recognised the amount received from the Government loan, at its present value.

   The balance of these aforementioned government loans as on 14 November 2020, amounted to SAR 50.6 billion.
   The entire balance has been included as a part of settlement under Mudaraba Agreement which was signed between the Company and the Ministry of Finance on 16 November 2020 (note 24).

33.3. Derivative financial instruments

The Group has interest rate hedging contracts with several banks for an amount of SAR 14.4 billion as of 31 December 2020 (2019: SAR 13.12 billion).

The notional amounts, which provide an indication of the volumes of the transactions outstanding at the end of the year, do not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are not indicative of market risk nor of the Group's exposure to credit risk, which is generally limited to the positive fair value of the derivatives.

All derivatives as at 31 December 2020 are classified as cash flow hedges. Derivatives are classified as non- current assets in the Company and as non-current or current liabilities in joint operation, depending on the expiration date of the financial instruments.

The fair values of the derivative financial instruments are summarised in the table below:

	31 December 2020	31 December 2019
Derivative financial instruments at fair value:		
Current	127,212	61,211
Non-current	937,806	572,591
	1,065,018	633,802

34. Advance from customers

The amount represents payments received from customers in advance against the service to be delivered. These advances will be amortised once the project is completed.

35. Zakat and income tax

35.1. Charge for the year

Zakat and tax for the year is as follows:

	31 December 2020	31 December 2019
Zakat for the year	126,677	79,848
Tax for the year	-	35
(Income) / Expense for Deferred tax for the year	(412,165)	140,728
	(285,488)	220,611

Deferred tax has been charged as follows:

	31 December 2020	31 December 2019
Consolidated statement of income	(412,165)	140,728
Consolidated statement of comprehensive income	(3,213)	(8,477)

On 5 Dhu al-Qi'dah 1441 H (corresponding to 26 June 2020), the Royal Decree No. (M/153) has been issued in respect of the amendment of Paragraph (A) of article 2 of the Income Tax Law issued by Royal Decree No. (M/1) on 15/1/1425 H, as amended by Royal Decree No. (M/131) on 29/12/1438 H, to amend the text contained in the resolution which changed the company's status from a tax and zakat mixed company to a 100% Zakat company not subject to income tax due to change in the status of Saudi Aramco's (the shareholder) investments and exception of companies listed on Saudi Stock Exchange. Accordingly, the net deferred tax assets and liabilities of SAR 412 million that were recorded in the consolidated statement of income under "Zakat and deferred tax income/(expense)" were cancelled.

35.1.1. Allocation of Zakat based on the Group companies:

	31 December 2020	31 December 2019
Saudi Electricity Company and subsidiaries	122,326	78,606
Joint operation	4,351	1,277
	126,677	79,883

35.1.2 Reconciliation between tax expense and accounting income at applicable tax rate is as follows:

	31 December 2020	31 December 2019
Income before Zakat and tax	-	1,608,168
Income subject to income tax (6.93%)	-	121,344
Income tax at applicable tax rate (20%)	-	24,269
Tax effect of:	-	
Difference between accounting and tax depreciation	-	(273,476)
Provisions	-	(7,886)
Interest on loans in excess of allowed limit	-	68,156
Deferred tax impact of property, plant and equipment	-	125,317
Deferred tax impact of provision	-	10,657
Deferred tax impact from Joint operations	-	4,753
	-	(48,210)
Unrecognised income tax	-	188,938
Tax expense as per consolidated statement of income	-	140,728

35.2. Zakat

The main components of the Zakat base for the Saudi Electricity Company and its subsidiaries are as follows:

	31 December 2020	31 December 2019
Income for the year before zakat and tax	2,740,060	1,608,168
Less: Zakat adjustments	1,209,614	213,747
Net adjusted (gain) / loss	3,949,674	1,821,915

Calculation of the Zakat base of the Company is as follows:

	31 December 2020	31 December 2019
Share capital	41,665,938	41,665,938
Net adjusted (loss) / gain	3,949,674	1,821,915
Retained reserves	4,520,592	5,128,007
Opening retained earnings	26,667,436	25,720,992
Retained allowances	9,040,384	5,674,603
Long term loans and Sukuks	117,257,669	110,943,050
Government loans and deferred grants	87,825,761	92,363,629
Contractors accruals and others	12,749,282	1,150,149
	303,676,736	284,468,283
Deduct:		
Fixed assets and construction work in progress, net	437,360,229	423,927,348
Long term investments	2,301,320	1,427,682
Material and spare parts inventories	3,949,986	4,044,731
Zakat base	(139,934,799)	(144,931,478)

The Company has filed the zakat returns until 2008; the Company also submitted zakat declarations for the years 2009 to 2016, which are still under review by the General Authority for Zakat and Income tax. A claim of SAR 375 million has been received for the years 2009-2014 by the Company. The Company does not expect that this claim will result in any future obligation.

The Group has submitted the Zakat return to the authorities for the year ended 31 December 2019 within the statutory term. The Company has submitted a request to furnish consolidated Zakat declaration for the Saudi Electricity Company and its subsidiaries, which has been approved by the Authority. Based on the approval, the Company will commence submitting Zakat declaration starting from the year ending 31 December 2020.

35.3. Deferred tax

The deferred tax for Saudi Electricity Company is as follows:

	Consolidated Financial Statement	
	31 December 2020	31 December 2019
Property, plant and equipment	-	506,253
Provisions	-	(123,028)
Deferred tax expense (benefit)	-	383,225

	Consolidated Income statement	
	31 December 2020	31 December 2019
Property, plant and equipment	-	125,317
Provisions	-	10,657
Deferred tax expense (benefit)	-	135,974

	For the year ended	
	31 December 2020	31 December 2019
Balance at the beginning of the year	(408,934)	(276,683)
Tax expense during the year recognized in the consolidated statement of income	412,165	(140,728)
Income / (expense) during the year recognized in the consolidated statement of comprehensive income	(3,231)	8,477
Balance at the end of the year	-	(408,934)

The deferred tax balances are as follows:

	For the year ended	
	31 December 2020	31 December 2019
Deferred tax assets	-	17,823
Deferred tax liabilities	-	(426,757)
	-	(408,934)

35.4. Value Added Tax

The Company has submitted VAT and payments within the statutory term.

36. Contingent liabilities

1. A committee has been formed represented by various stakeholders, who will study financial disputes and give their recommendations to the Ministerial Committee, the most important of which are the following:

- During July 2020, an agreement was signed to settle the dispute between the Saudi Electricity Company and the Saudi Aramco. As per the settlement, Saudi Aramco paid to the Saudi Electricity Company an amount representing claims for consumption and various projects which were previously disputed. The settlement included an end to the dispute over the fuel price difference for the company's generation station in Al-Shuaiba, where the Saudi Electricity Company recorded an amount of SAR 808 million, representing the fuel cost difference which is in favour of Saudi Aramco for the period of 2017 and onwards, which is estimated at SAR 2.6 billion. The Company does not expect any commitment resulting from that.
- According to Council of Ministers resolution No. 216 dated 16 January 2018 whereby an agreement has been signed with Saudi Aramco regarding the recognition of handling fees as of 1 June 2018, the total disputed amount from the beginning of the Company's incorporation on April 5, 2000 until May 30, 2018 amounted to SAR 6.1 billion. This matter is within the scope of work of the committee formed as mentioned above. The Company does not expect any resulting outflow of resources from such commitment.

2. The Group has provided guarantees to some commercial banks for their share of the financing loan granted to some of the investee companies and guarantee to other parties amounting to SAR 449 million as at 31 December 2020 (31 December 2019: SAR 525 million).

37. Capital commitments

These comprise the unexecuted portion of capital contracts for the erection and installation of power plants and other assets amounting to SAR 47 billion (31 December 2019: SAR 42.7 billion).

38. Earnings per share

Basic earnings per share is calculated by dividing the income attributable to equity holders of the Holding Company (adjusted by Mudaraba instrument profit) by the weighted average number of ordinary shares in issue during the year.

The diluted earnings per share equal to the basic earnings per share for the year ended 31 December 2020 and 31 December 2019 as there are no financial instruments with a dilutive effect on basic earnings per share.

Details of Basic and diluted earnings per share are as follows:

	For the year ended	
	31 December 2020	31 December 2019
Profit for the year	3,025,548,000	1,387,557,000
Less: profit attributable to Mudaraba Instrument	(927,375,000)	-
Net profit for the Year - Attributable to Shareholders	2,098,173,000	1,387,557,000
Total Weighted Average Shares in thousands for Basic EPS	4,166,593,815	4,166,593,815
Basic and diluted earnings per share	0.50	0.33

39. Related-party transactions

The final controlling party for the Group is the government of the KSA, where through its ownership of the Public Investment Fund, Saudi Aramco, and the Saline Water Conversion Corporation “SWCC”, as the mentioned entities are under the final control of the government of the Kingdom of Saudi Arabia in addition to the independent energy production companies and the companies invested in, the following is a statement: With regard to the most important transactions with related parties:

Following transactions were carried out with related parties:

A) Sales of electricity

	For the year ended	
	31 December 2020	31 December 2019
Sales of electricity:		
Group’s ultimate controlling party	11,594,615	12,863,475
Entities under control of the Group’s ultimate controlling party		
Saudi Aramco	446,240	428,852
Saline Water Conversion Corporation	562,790	533,452
Total	12,603,645	13,825,779

B) Purchases of energy and fuel

	For the year ended	
	31 December 2020	31 December 2019
Purchases of energy		
Entities under control of the Group's ultimate controlling party:		
Saudi Aramco	8,455,131	8,858,565
Saline Water Conversion Corporation	277,510	290,152
Fadhili Plant Cogeneration Company	463,788	-
Joint operations:		
Dhuruma Electricity Company	588,697	638,454
Rabigh Electricity Company	915,177	753,390
Hajr for Electricity Production Company	795,525	734,679
Al Mourjan for Electricity Production Company	419,212	387,319
Total	11,915,040	11,662,559

The Group purchases fuel from Saudi Aramco and power from Saline Water Conversion Corporation at rates stipulated for in the respective governmental resolutions. Also, the purchasing power transitions from joint operations according to the signed agreement with them.

C) Year-end balances arising from sales of electricity/purchases of energy

Due from related parties:	31 December 2020	31 December 2019
Entities under control of the Group's ultimate controlling party	17,194,708	27,878,902
Saudi Aramco	170,929	1,438,355
Saline Water Conversion Corporation	-	1,542,281
Al-Fadhli Co-production loans	253,874	253,874
Global Data Center Company loans	30,250	18,000
Total due from related parties	17,649,761	31,131,412
Due to related parties:		
Group's ultimate controlling party		
Governmental payables **	-	92,495,037
	-	92,495,037
Entities under control of the Group's ultimate controlling party		
Saudi Aramco *	10,077,791	18,272,055
Saline Water Conversion Corporation	354,349	515,354
	10,432,140	18,787,409

* This includes fuel used by the Company, Independent Power Producer and purchase energy.

Loans and advances from related parties

	31 December 2020	31 December 2019
Group's ultimate controlling party		
Government loans **	-	48,698,302
Deferred government grants **	1,089,377	43,665,327
Public Investment Fund loans	756,413	971,349
	1,845,790	93,334,978

** The Company has transferred the net liabilities owed to the government of SAR 167.9 billion into a financial instrument within equity.

E) Compensation of key management personnel

Key management consists of Board members and executive management. The compensation paid is illustrated below:

	For the year ended 31 December	
	2020	2019
Salaries and allowances	9,437	8,765
Annual and periodic benefits	12,954	9,802
Total	22,391	18,567

40. Operating revenue

	For the year ended	
	31 December 2020	31 December 2019
Sales of electricity	57,531,486	58,864,725
Electricity service connection fees	1,928,389	1,833,897
Meter reading, maintenance and bills preparation fees	1,391,542	1,347,934
Transmission system revenues	1,171,080	1,131,341
Other operational revenue*	6,686,421	1,862,103
	68,708,918	65,040,000

* Based on the Royal Decree Number 2719 – Dated 14/01/1438H (corresponding date 15 October 2016), and letter from the Ministry of Finance number 5627 – Dated 02/06/1441H) dated 27 January 2020, a balancing account has been activated by the government effective 2019. Based on the letter of the Ministry of Finance No. 8491 dated 16/08/1442H corresponding to 29/03/2021 for approving the organization of revenues of Saudi Electricity Company as per the model of minimum operating costs to determine the required revenues for the financial year 2020 which will cover both operating and financing costs in addition to dividends owed to all shareholders including Public Investment Fund and the commencement of balancing account for the difference between approved required revenue and actual revenue for the year 2020. The Company has recognized an amount of SAR 6.1 billion in the consolidated income statement under the item of other operating income for the year ended 31 December 2020 (2019: SAR 1.1 billion).

41. Costs of revenue

	For the year ended	
	31 December 2020	31 December 2019
Depreciation of operation and maintenance assets	18,264,947	18,204,381
Operation and maintenance expenses	10,770,406	10,678,003
Fuel	7,305,318	7,576,427
Purchased energy	9,046,275	7,804,921
Government fees	15,071,902	14,493,692
Depreciation of right of use assets	152,964	158,459
	60,611,812	58,915,883

42. General and administrative expenses

	For the year ended	
	31 December 2020	31 December 2019
Employees' expenses and benefits	285,034	490,055
Depreciation	523,459	509,582
Materials	69,240	42,436
Communication fee	113,089	84,145
Others	253,816	118,307
	1,244,638	1,244,525

43. Other income, net

	For the year ended	
	31 December 2020	31 December 2019
Amortisation of government grants	1,356,435	1,327,074
Penalties and fines	79,112	99,323
Dividend income	34,656	57,608
(Loss) / gain on disposal of property, plant and equipment, net	(189,209)	21,784
Others, net	301,161	149,949
	1,582,155	1,655,738

44. Finance costs, net

	For the year ended	
	31 December 2020	31 December 2019
Finance expense, net		
Bank borrowings	4,525,380	4,561,733
Government loans	1,937,082	2,241,393
Lease obligation	7,288	12,583
Less: Capitalised interest	(1,705,861)	(2,085,924)
Total	4,763,889	4,729,785
Changes in the present values of the employees' benefits obligations	136,927	177,923
Changes in the present values of the asset retirement obligation	8,001	9,728
Total finance expense	4,908,817	4,917,436
Interest income	(18,007)	(30,503)
Total interest income	(18,007)	(30,503)
Net finance costs	4,890,810	4,886,933

45. Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital based on the debt ratio. This ratio is calculated on the basis of net adjusted debt divided by adjusted equity and adjusted net debt. Net debt is calculated as total loans (including "short term", "long term" and "sukuk" loans as described in the consolidated statement of financial position) less cash and cash equivalents. Adjusted equity is recognised as "equity" as stated in the consolidated statement of financial position plus net adjusted debt. The Group strategy is to maintain an appropriate debt ratio in light of operational requirements and future expansion plans.

The Adjusted debt to equity ratios as at 31 December were as follows:

	31 December 2020	31 December 2019
Total borrowings	113,719,801	110,943,050
Less: Cash and cash equivalents	(4,539,092)	(1,918,304)
Adjusted net debt	109,180,709	109,024,746
Total equity	247,774,552	73,569,872
Adjusted equity and net debt	356,955,261	182,594,618
Adjusted debt to equity ratio	31%	60%

46. Financial risk management

46.1. Financial risk factors

The Group's activities expose it to market risk (foreign currency exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

The Group's financial instruments are as follows:

Financial assets as per the statement of financial position	31 December 2020		Total
	Financial assets through other comprehensive income	Financial assets at amortised cost	
Financial assets measured at fair value			
Financial asset through Other Comprehensive Income	349,618	-	349,618
Financial assets not measured at fair value			
Financial asset at amortized cost	-	34,114	34,114
Cash and cash equivalents	-	4,539,092	4,539,092
Receivables from sale of electricity, net	-	34,968,645	34,968,645
Debit balances and advances	-	328,194	328,194
Other receivables	-	687,013	687,013
Total	349,618	40,557,058	40,906,676

Financial assets as per the statement of financial position	31 December 2019		Total
	Financial assets through other comprehensive income	Financial assets at amortised cost	
Financial assets measured at fair value			
Financial asset through Other Comprehensive Income	325,075	-	325,075
Financial assets not measured at fair value			
Financial asset at amortized cost	-	38,381	38,381
Cash and cash equivalents	-	1,918,304	1,918,304
Receivables from sale of electricity, net	-	44,884,004	44,884,004
Debit balances and advances	-	318,707	318,707
Other receivables	-	1,247,942	1,247,942
Total	325,075	48,407,338	48,732,413

Liabilities as per the statement of financial position	31 December 2020		Total
	Derivatives	Other financial liabilities at amortised cost	
Financial liabilities measured at fair value			
Derivative financial instruments	1,065,017	-	1,065,017
Financial liabilities not measured at fair value			
Loans	-	69,559,367	69,559,367
Sukuk	-	44,160,434	44,160,434
Government loans	-	-	-
Trade payables	-	14,145,642	14,145,642
Accruals and other payables	-	26,289,101	26,289,101
Payables to the government	-	-	-
Total	1,065,017	154,154,544	155,219,561

Liabilities as per the statement of financial position	31 December 2019		Total
	Derivatives	Other financial liabilities at amortised cost	
Financial liabilities measured at fair value			
Derivative financial instruments	633,802	-	633,802
Financial liabilities not measured at fair value			
Loans	-	72,653,314	72,653,314
Sukuk	-	39,289,736	39,289,736
Government loans	-	48,698,302	48,698,302
Trade payables	-	22,424,873	22,424,873
Accruals and other payables	-	12,749,282	12,749,282
Payables to the government	-	92,495,037	92,495,037
Total	633,802	288,310,544	288,944,346

46.2. Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies and procedures are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management framework standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The audit committee monitors the Group's commitment to risk management policies and procedures and reviews the adequacy of the overall framework associated with the risks faced by the Group. The internal audit activity assists the audit committee in the management of the Group.

46.2.1. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk consists of three types of risk:

- Foreign currency risk
- Commission rate risk (interest)
- Other price risk.

1. Foreign currency risk

Currency risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

Foreign currency risk is linked to the change in value in the functional currency due to the difference in the underlying foreign currency of the relevant transaction. The Group's functional currency is the Saudi Riyal, which is pegged to the US Dollar with a fixed exchange rate of 3.75 Saudi Riyals against the US Dollar. Except for US Dollar, most of the significant transaction are not subject to foreign currency risk. The financial assets in US Dollar amounted to USD 9 million as of 31 December 2020 (31 December 2019: USD 62 million), while the financial liabilities in US Dollar amounted to USD 16.7 billion (31 December 2019: USD 18.9 billion).

2. Commission rate risk (interest)

Interest rate risk is the risk that either future cash flows or fair value of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk arises from its borrowings. Borrowings issued at variable rates expose the Group to change in cash flow due to change in interest rates. The Group enters into interest rate swaps in order to hedge the interest rate risk and these swaps are designated as derivative financial liability in the financial position.

The Group designate certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign exchange risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges where appropriate criteria are met.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements.

- There is an economic relationship between the hedged item and the hedging instrument;
- The effect of credit risk does not dominate the value changes that result from that economic relationship; and
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

The Group's exposure to borrowing risk associated with changes in interest rates is as follows:

	31 December 2020	31 December 2019
Variable interest rate borrowings	72,771,479	81,367,250
Fixed interest rate borrowings	40,948,322	29,575,800

Interest rate sensitivity

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and statement of income by the amount shown below. The analysis assumes that all other variables remain constant.

	For year ended 31 December 2020			
	Statement of Income or loss		Statement of changes in equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Loans at variable-rates	(607,015)	(607,015)		
Interest rate swaps	-	-	10,650	(10,650)
Cash-flow sensitivity	(607,015)	(607,015)	10,650	(10,650)
	For year ended 31 December 2019			
	Statement of Income or loss		Statement of changes in equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Loans at variable-rates	(733,284)	733,284	-	-
Interest rate swaps	-	-	6,338	(6,338)
Cash-flow sensitivity	(733,284)	733,284	6,338	(6,338)

3. Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market prices (other than those arise from currency and interest rate risk). The Group exposed to the fair value risk due to changes in the prices of the available for sales financial assets owned by the Group, where the risk to which the Group exposed is not significant, as the available for sale financial assets includes investments in unquoted equity securities.

46.2.2. Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to sales. Customers are not independently rated. The Group assesses the credit quality of the subscribers taking into account its past experience and other factors.

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers.

Sales are settled in cash, SADAD or using major credit cards.

Impairment on financial assets consist of:

	31 December 2020	31 December 2019
Provision for impairment of receivables	1,467,536	1,549,779
Provision for impairment of debt instruments at amortized cost	76	76
Other receivables	235,899	186,383

The credit quality of financial assets that are neither past due nor impaired is as follows:

		31 December 2020	31 December 2019
Simplified approach	Less than 3 months	7,539,101	5,745,619
	More than 3 months and less than 6 months	909,506	539,217
	More than 6 months and less than a year	490,830	684,998
	More than a year	2,509,774	874,758
General approach	-	24,986,970	38,589,191
		36,436,181	46,433,783

The Group uses the general approach to estimate the expected credit losses of government, semi-government entities and financial assets at amortized cost. The expected credit loss is calculated over the 12-month period or Lifetime ECL depending on the change in credit risk associated with financial instrument.

The Company believes that it is able to collect non-governmental receivables through the Company's ability to stop providing services to those who are late in paying their indebtedness in addition to their legal follow-up with the competent authorities. Non-government receivables account for 7% of total outstanding receivables for more than one year.

The Group uses a dedicated matrix to measure the expected credit losses of trade receivables from individual customers consisting of a very large number of small balances.

The Group takes into consideration the probability of default on the initial recognition of the asset and whether there is a significant increase in credit risk on an ongoing basis over each reporting period. The Group compares the non-payment risk that may arise to the asset at the reporting date with the risk of non-payment as at the date of initial recognition to assess whether there is a significant increase in credit risk. Reasonable and supportive information is taken into consideration, especially the following indicators:

- External credit rating (if available).
- Actual or expected significant adverse change in business, financial or economic situation. A significant change in the borrower's ability to meet their obligations is expected.
- A significant increase in the credit risk of other financial instruments to the same borrower.
- Significant changes in the value of the collateral supporting the liability or the quality of the third party guarantees or improvement of the credit.
- Significant changes in the borrower's expected performance and behaviour, including changes in the payment status of the borrowers in the Group and changes in the borrower's operating results.

The Group’s exposure to credit risk for electricity consumers as of 31 December 2020 is as follows:

	Credit losses Expected over 12 months	Credit losses Expected over the age period and not decreased its Credit value	Credit losses Expected over the age period and declined its credit value	Total
Receivables from sale of electricity	23,250,499	5,869,740	7,315,942	36,436,181
Less				
Provision for decrease in accounts receivable of electricity consumers book values	(2,773)	(592,224)	(872,539)	(1,467,536)
	23,247,726	5,277,516	6,443,403	34,968,645

The Group’s exposure to credit risk for electricity consumers as of 31 December 2019 is as follows:

	Credit losses Expected over 12 months	Credit losses Expected over the age period and not decreased its Credit value	Credit losses Expected over the age period and declined its credit value	Total
Receivables from sale of electricity	34,674,706	4,809,403	6,949,674	46,433,783
Less				
Provision for decrease in accounts receivable of electricity consumers Book value	(5,239)	(591,424)	(953,116)	(1,549,779)
	34,669,467	4,217,979	5,996,558	44,884,004

Cash and cash equivalent are placed with commercial banks having investment grade credit rating.

On 31 December 2020 and 31 December 2019, there are no collateral financial instruments held.

Loans are secured by promissory notes signed by the Group for the nominal values of the loan plus the interest payments and/or murabaha margin.

Each Group entity is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered.

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to sales along with the current debit balances. Customers are not independently rated. The Group assesses the credit quality of the subscribers taking into account its past experience and other factors.

Risk limits are set based on a pre-identified credit limits on a customer-by-customer basis in accordance with limits set by the Board. The utilisation of credit limits is regularly monitored. Sales are settled in cash, SADAD or using major credit cards.

46.2.3. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in raising funds to meet obligations associated with financial instruments.

The objective of liquidity risk management is to ensure that the Group has enough funding facilities available to meet its current and future obligations. The Company aims to maintain adequate flexibility in financing by keeping appropriate credit facilities available.

The Group expects to meet its future financial obligations through cash receipts from receivables and through facilities and bank loans.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity Groupings based on the remaining period at the consolidated statement of financial position date to the contractual maturity date noting all current financial liabilities fall within a maturity period of one year or less. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

As of 31st December 2020, there are no current government commitments (2019: SAR 126 billion). The Company manages based on their liquidity position in coordination with government entities

	31 December 2020				Total
	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	
Non-derivative financial liabilities:					
Loans	13,413,842	11,249,779	15,893,293	29,002,453	69,559,367
Sukuk	-	10,418,190	19,312,500	14,429,744	44,160,434
Government loans	-	-	-	-	-
Trade payables	14,145,642	-	-	-	14,145,642
Accrued expenses and other liabilities	26,289,101	-	-	-	26,289,101
Lease Obligation	56,085	16,015	14,967	31,085	118,152
Payables to the government	-	-	-	-	-
Derivative financial instruments	127,212	937,806	-	-	1,065,018
Total	54,031,882	22,621,790	35,220,760	43,463,282	155,337,714

	31 December 2019				Total
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	
Non-derivative financial liabilities:					
Loans	19,179,264	5,278,102	21,506,843	25,689,105	71,653,314
Sukuk	-	-	15,187,500	24,102,236	39,289,736
Government loans	1,000,000	1,000,000	3,099,000	43,599,302	48,698,302
Trade payables	22,424,873	-	-	-	22,424,873
Accrued expenses and other liabilities	12,749,282	-	-	-	12,749,282
Lease Obligation	143,820	64,542	40,113	-	248,475
Payables to the government	92,495,037	-	-	-	92,495,037
Derivative financial instruments	61,211	572,591	-	-	633,802
Total	148,053,487	6,915,235	39,833,456	93,390,643	288,192,821

46.3. Fair-value measurement

The Group measures its financial instruments at fair value at reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming the market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- **Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- **Level 2:** Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either, directly (that is, as prices) or indirectly (that is, derived from prices);
- **Level 3:** Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs).

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The following table presents the Group's financial assets and liabilities that are measured at fair value as of 31 December 2020:

	Level 1	Level 2	Level 3	Total
Assets				
Financial asset through other comprehensive income	-	-	349,618	349,618
Total assets	-	-	349,618	349,618
Liabilities				
Derivatives used for hedging	-	1,065,018	-	1,065,018
Financial instruments liabilities	-	1,065,018	-	1,065,018
Equity				
Mudaraba instrument	-	-	159,169,000	159,169,000
Equity financial instrument	-	-	159,169,000	159,169,000

The following table presents the Group's financial assets and liabilities that are measured at fair value as of 31 December 2019:

	Level 1	Level 2	Level 3	Total
Assets				
Financial asset through other comprehensive income	-	-	325,075	325,075
Total assets	-	-	325,075	325,075
Liabilities				
Derivatives used for hedging	-	633,802	-	633,802
Financial instruments liabilities	-	633,802	-	633,802
Equity				
Mudaraba instrument	-	-	-	-
Equity financial instrument	-	-	-	-

Valuation techniques used to derive level 2 fair-value

Interest rate swaps are fair valued using the mark-to-market value (or fair value) of the interest rate swap technique. The effects of discounting are generally insignificant for Level 2 derivatives.

The fair value is calculated as the present value of the estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates, futures prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps. The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of the Group and of the counterparty; this is calculated based on credit spreads derived from current default swap or bond prices.

Fair value measurements using significant unobservable inputs (Level 3)

The Group has four available-for-sale financial assets through OCI, 8% Stake in Shuaiba Water and Electricity Company; 8% Stake in Shuqaiq Water and Electricity Company; 5% Stake in Jubail Water and Power Company; 8% Stake in Shuaibah Expansion Holdings Company.

The fair valuation of these four investments is carried out using the dividend valuation model (DVM).

In accordance with this methodology, the expected future dividends from the investments are projected (the historical dividend pay-out pattern is used as a basis for future projections over the investment horizon), and discounted using the cost of equity as the relevant discount rate to ascertain the fair value of these investments.

Unrealized gross (loss) / profit for the year ended 31 December 2020 included in other comprehensive income ("change in fair value of financial asset at other comprehensive income") for financial statement at other comprehensive income amounted to SAR 24.5 million (2019: SAR 25.7 million).

As at 31 December 2020, projected dividends and cost of equity are the main input variables for the model for the fair valuation of financial asset at other comprehensive income.

An increase of 5% in the cost of equity will lead to a decrease of SAR 15.6 million (31 December 2019: SAR 13.5 million decrease) in the fair valuation of financial assets through other comprehensive income, while a decrease of 5% in the cost of equity will lead to an increase of SAR 16.8 million (31 December 2019: SAR 14.5 million increase) in the fair valuation. The risk reduction rate in 2020 was 8% (2019: 9.5%).

A 5% increase / decrease in expected income will result in an increase / decrease of SAR 17.4 million (31 December 2019: SAR 16.3 million increase) in the fair valuation of financial asset through other comprehensive income.

The Group has determined the fair value of the Mudaraba is determined based on an income approach where perpetual cash flows based on the profit rate of the instrument are discounted at an appropriate discount rate of 4.3% derived based a cost of debt reflecting a yield to maturity of KSA Government Sukuk with longest maturity plus a premium for the perpetual nature of the instrument.

The regulatory weighted average cost of capital is estimated at 6% based on the Capital Asset Pricing Model using market-based assumptions and is considered a close proxy to the contractual WACC for the fair valuation purposes.

There have been no transfers between level 1, level 2 and level 3 fair values.
Movement in level 3 fair value financial instruments represented in financial assets through other comprehensive income during the year is as follows:

	31 December 2020	31 December 2019
Opening balance	325,075	299,365
Change in present value of the financial assets through other comprehensive income	24,543	25,710
Closing balance	349,618	325,075

Fair values of financial assets and liabilities measured at amortised cost
The fair values of the financial assets and liabilities approximates their carrying amount.

47. Significant events

COVID-19 pandemic has swept the world since the beginning of 2020, causing disruption in the economic and commercial sectors in general at the global and local levels. The government of the Kingdom of Saudi Arabia has taken stimulus measures and launched initiatives to support the economy to reduce the adverse effects of this pandemic.

The accompanying consolidated financial statements included the results of management's estimates related to the expected impairment loss of Receivables from sale of electricity that are expected to arise as a result of the current conditions which have been estimated according to the best information available to the management.

The Group considers and monitors all factors that may affect the Group's activities and during the year ended 31 December 2020 there has been change in the revenue combination between some categories which impacted the overall profitability of the Group.

The Group's management continues to study and follow up all the variables that affect the Group's activities, however, due to the inability to determine the time period of this pandemic and the precautionary measures and procedures as to what will be emerged in the future, it is currently difficult to determine the size and extent of the financial impact accurately on the results of the Group up to the date of issuance of these consolidated financial statements. However, the Group does not anticipate any significant adverse implication in future related to the Group remaining as a going concern.

48. Non-cash transactions

Primary non-cash transaction during the year ended 31 December 2020 are clearing of some of the debit balances due to some of the electricity consumers' receivables along with the credit balances as disclosed in Mudaraba instrument amounting to SAR 167.9 billion (note 24).

49. Approval of the consolidated financial statements

The Group's consolidated financial statements were approved by the Group's Board of Directors on 17 Sha'aban 1442H, corresponding to 30 March 2021.

الشركة السعودية للكهرباء
Saudi Electricity Company
Diligently Serving You