

Saudi Electricity Company ('SEC')
Financial results for the year ending 31st December 2015

Operating profit up by over 45%
Driven by sustained growth in demand, improving sales mix and operational efficiency
Reported net profit impacted by one-off items

Riyadh, 23 February 2016 – Saudi Electricity Company ("SEC"), the largest utility company in the Middle East and North Africa region, announces its annual financial results for the year ended 31st December 2015.

Figures in SAR million	Periods		
Description	2015	2014	% change
Revenues	41,539	38,491	7.9%
Gross Profit	2,585	2,028	27.5%
<i>Gross Profit Margin %</i>	6.2%	5.3%	<i>0.9 pp</i>
Operating Profit	1,593	1,098	45.1%
<i>Operating Profit Margin %</i>	3.8%	2.9%	<i>0.9 pp</i>
Net profit/losses	1,544	3,607	(57.2%)
Reported Earnings/losses per share (SAR)	0.37	0.87	(57.2%)
EBITDA ⁽¹⁾	16,477	17,167	(4.0%)
<i>EBITDA Margin %</i>	39.7%	44.6%	<i>(4.9 pp)</i>
One-off items	(360)	2,098	-
Excluding one-off items			
Underlying EBITDA ⁽²⁾	16,837	15,069	11.7%
<i>Underlying EBITDA Margin%</i>	40.5%	39.1%	<i>1.4 pp</i>
Underlying Net profit/losses ⁽³⁾	1,904	1,509	26.2%

(1) EBITDA = Net profit/losses + Depreciation

(2) Underlying EBITDA = EBITDA excluding one-off items

(3) Underlying Net profit/losses = Net profit/losses excluding one-off items

HIGHLIGHTS

- 8% growth year-on-year in total operating revenues in 2015. The growth is attributable to the high demand growth primarily driven by continuing increase in the customer base (6.6 % yoy growth) and supported by an improvement in the sales mix.
- Improvements of 0.9 pp in gross and operating profits margins respectively during 2015 are due to operations and maintenance costs optimization and improved operational efficiencies.
- EBITDA and net profit during periods of 2015 and 2014 are impacted by one-off items:
 - (1) 2014 results benefited from a substantial reversal of provision for doubtful receivables of SAR 2.6 billion, which was partially offset by a charged one-off expense provisions of SAR 537 million related to settlement agreement with Saudi Aramco for cost of exchanged power for certain locations since 2007;
 - (2) 2015 results includes a non-recurring expense item (SAR 561 million) of grant of two months' salary to SEC's Saudi employees in line with all government controlled entities, following the royal succession in January 2015. This is partially offset by a net positive adjustment of non-recurring income/expense accounted during Q4 2015 amounting to SAR 202 million;
- Excluding the aforementioned one-off items, both 2015 EBITDA and net profit on an underlying basis increased by 11.7% and 26.2% respectively. Implying improvements on operational performance.
- Major capital expenditure program continues. SAR 55.1 billion invested in capital projects and fixed assets during the period (2014: SAR 49.5 billion).
- SEC continues to be one of the highest rated corporate in Saudi Arabia with A1/A-/AA- ratings by Moody's, S&P and Fitch, respectively.
- Good progress continues to be made with SEC's Accelerated Strategic Transformation Program (ASTP), focusing on optimizing operational efficiencies and the continuing roll-out of our performance-oriented corporate culture.

PERFORMANCE REVIEW

Revenues

Item (SAR million)	2015	% of total	2014	% of total	Change
Electricity Sales	37,580	90.5%	34,962	90.8%	7.5%
Meter reading, maintenance and bill preparation income	1,118	2.7%	1,055	2.7%	6.0%
Electricity Connection Tariff	2,073	5.0%	1,852	4.8%	11.9%
Transmission System Revenues	544	1.5%	467	1.2%	16.5%
Other Operating Revenues	224	0.3%	154	0.4%	44.8%
Total Operating Revenues	41,539	100.0%	38,491	100.0%	7.9%

- 2015 total revenues increased by 7.9% to SAR 41.5 billion, primarily driven by electricity sales growth and electricity connection tariff.
- 7.5% increase in electricity sales in 2015 over corresponding period of 2014 is due to:
 - i) 6.6% yoy growth in the customer base to 8.1 million from 7.6 million, mainly driven by increase in residential and commercial segments;

- ii) 5.2% yoy growth in overall electricity consumption. In 2015, SEC sold 285.7 TWh (2014: 271.6 TWh) of electricity; and
- iii) Supported by an improvement in the sales mix (see below).

Customer base split by sales volume and relative revenue contribution						
Segment	Volume contribution %			Value contribution %		
	2015	2014	Change	2015	2014	Change
Residential	49.9%	49.3%	0.6%	30.3%	29.3%	1.0%
Industrial	15.8%	19.0%	(3.2%)	17.3%	20.2%	(2.9%)
Commercial	16.3%	15.2%	1.1%	22.5%	21.4%	1.1%
Governmental	13.7%	13.1%	0.6%	27.1%	26.5%	0.6%
Others	4.3%	3.4%	0.9%	2.8%	2.6%	0.2%

- The average sale price per Kwh rose by 2.6% to 14.54 halala from 14.18 halala.
- Sales volume and value contribution from Industrial customers fell 3.2% and 2.9% respectively, reflecting the impact from a new regulation introduced in 2014 by the Electricity and Co-generation Regulatory Authority's (ECRA) surrounding access to transmission.

This new regulation allows for major industrial facilities who have their own onsite captive generation capacity to sell to SEC any surplus electricity generated, as the sole off-taker in KSA, and likewise, if in deficit, to buy from SEC at the defined industrial tariff. Also these customers are able to access SEC's transmission grid in return for a fee payable to SEC, in the form of backup service/wheeling charges.

During 2015, compared to 2014, Industrial customers were able to source a greater proportion of their electricity requirements through internally generated means, implying a marginal negative impact. However, this was partially offset by an increase in the transmission revenue stream from transmission that amounted to SAR 559 million, contributing 1.3% of total operating revenues.

- Operating revenues from the tariffs charged for meter reading, maintenance and bills preparation and one-off tariffs charged for making initial electricity connections were higher, in line with the continuing increase in the customer base and higher revenues realized from connection tariff services projects.

Cost of Sales

Item (SAR million)	2015	% of total	12M 2014	% of total	Change
Fuel	5,977	15.3%	6,232	17.1%	(4.1%)
Purchased energy	7,313	18.8%	6,430	17.6%	13.7%
Operation and maintenance	11,114	28.5%	10,581	29.0%	5.0%
Depreciation ⁽¹⁾	14,549	37.4%	13,220	36.3%	10.1%
Cost of Sales	38,953	100%	36,463	100%	6.8%

⁽¹⁾ Depreciation relating to operating assets

- 4.1% decrease in fuel costs reflecting saving from improved operational efficiency and a higher proportion of output made up of purchased energy. Fuel mix used for generation in SEC's plants during 2015 in terms of mmbtu was: natural gas 31.1%, light crude 34.9%, diesel 20.3%, heavy crude 13.7%.
- 13.7% yoy increase in purchased energy as a result of an additional IPP becoming operational during Q4 2014.

- 5.0% increase in operations and maintenance costs mainly arose from higher provisions taken against doubtful receivables, higher municipality fees and higher contracting costs related to the maintenance of the expanding transmission lines to augment system reliability. The marginal increase in operations and maintenance despite the high expansion in our fleet capacity and network is a clear demonstration of our focus on operating costs rigorous control.
- 10.1% increase in depreciation reflecting the growth in the operating asset base: projects amounting to SAR 29 billion were completed and became operational over the course of the last 12 months.

EBITDA, Margins, and Net Profit/ Losses

- Year-on-year decline in both the reported EBITDA and EBITDA margin is mainly driven by the impact from the aforementioned one-off items during the comparative periods. Excluding these one-off items, underlying EBITDA would have grown by 11.7% to SAR 16,837 million, which is a clear demonstration of our focus on optimizing operational efficiencies.
- Reported net profit attributable to SEC shareholders in 2015 is SAR 1,544 million as against SAR 3,607 million in 2014; excluding the one-off items, underlying net profit in 2015 would have increased by 26.2% to SAR 1,904 million (underlying net profit in 2014 : SAR 1,509 million).

Cash flow and Capital Expenditure

- Cash flow from operations in 2015 was SAR 31 billion compared to SAR 31.1 billion in 2014.
- Overall SAR 56 billion in 2015 (2014: SAR 51.5 billion) net outflow of cash due to investing activities, in line with SEC's commitment to meet the needs of Saudi Arabia's growing economy through increasing generating capacity and improving and extending transmission and distribution networks.
- The net cash inflow from financing activities of SAR 20.1 billion (2014: SAR 23.3 billion) was primarily from proceeds drawn down from long term governmental soft loan and commercial loan facilities (totaling SAR 23 billion) that were partially offset by a repayment of SAR 2.3 billion relating to long term facilities and a total dividend payment of SAR 532 million mainly relating to 2014.
- SEC closed 2015 with a gross cash position of SAR 2.1 billion (2014: SAR 6.9 billion).

Balance Sheet and Funding

- The growth in the asset base reflects SEC's continuing major investments into its generation, transmission and distribution capabilities. As at 31st December 2015, SEC's asset base had grown 12.6% yoy to SAR 358 billion (2014: SAR 317.9 billion), with shareholders' equity growing 1.9% yoy to SAR 60.3 billion (2014: SAR 59.2 billion).
- Due to SEC's strategic importance to the economy, the Saudi Government has always demonstrated strong support for SEC including the provision of long term free interest loans. In 2015, SEC received SAR 14.7 billion in government funding in tranches as part of its long term soft loan facilities. A further SAR 48.1 billion of government soft loans is committed for drawdown by SEC until 2019.

Further enquiries

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Overview of Saudi Electricity Company (“SEC”)

SEC is the largest utility in the MENA region with a market capitalization of SAR 68.3 bn (US\$ 18.2bn) as at 31 December 2015, and is one of the largest companies listed on the Saudi Tadawul by market size. It is a vertically integrated company involved in the generation, transmission and distribution of electricity to over 8.1 million customers in Saudi Arabia. Saudi Arabia is one of the Top 20 economies globally whose demand for electricity is growing at 7-8% per annum, driven by a growing population, rising per capita consumption and an increasingly diversified and growing economy.

For further information on SEC and the full financial statements for the twelve months and fourth quarter ended 31 December 2015, please refer to the corporate website: www.se.com.sa

End of Release