

Saudi Electricity Company ('SEC')
Financial results for the twelve months ending 31st December 2016

Net Income up by over 36.9% driven by improved operational efficiency and supported by tariff increase and improved sales mix.

Riyadh, 18 January 2016 – Saudi Electricity Company ("SEC"), the largest utility company in the Middle East and North Africa region, announces its interim financial results for the year ended 31st December 2016.

Figures in SAR million	Quarterly Periods			Twelve Months Periods		
	Q4 2016	Q4 2015	% change	2016	2015	% change
Description						
Revenues	10,654	8,985	18.6%	49,915	41,539	20.2%
Gross Profit	(1,961)	(1,344)	(45.9%)	3,015	2,585	16.6%
Gross Profit Margin %	(18.4%)	(15.0%)	(3.4)pp	6.0%	6.2%	(0.2)pp
Operating Profit	(2,288)	(1,781)	(28.5%)	2,021	1,593	26.9%
Operating Profit Margin %	(21.5%)	(19.8%)	(1.7)pp	4.0%	3.8%	0.2pp
Net profit/losses ⁽¹⁾	(2,343)	(1,445)	(62.2%)	2,113	1,544	36.9%
Reported Earnings/losses per share (SAR)	(0.56)	(0.35)	(62.2%)	0.51	0.37	36.9%
EBITDA ⁽²⁾	2,250	2,486	(9.5%)	19,479	16,477	18.2%
EBITDA Margin %	21.1%	27.7%	(6.6)pp	39.0%	39.7%	(0.7)pp
One-off items	-	202	NA	-	(360)	NA
Excluding one-off items						
Underlying EBITDA ⁽³⁾	2,250	2,284	(1.5%)	19,479	16,837	15.7%
Underlying EBITDA Margin%	21.1%	25.4%	(4.3)pp	39.0%	40.5%	(1.5)pp
Underlying Net profit/losses ⁽⁴⁾	(2,343)	(1,647)	(42.3%)	2,113	1,904	11.0%

(1) Interest expenses are capitalized. No Zakat/Tax.

(2) EBITDA = Net profit/losses + Depreciation

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

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

HIGHLIGHTS

- 20.2% growth year-on-year in total operating revenues in 2016. The growth is primarily driven by the tariff increase, improved sales mix and growth in the customer base.
- SAR 54.9 billion worth of assets added to fixed asset base in generation, transmission and distribution, which is a historic value in terms of the largest assets that ever entered into the service in one year.
- Major capital expenditure program continues, financed by SEC's internal cash flows and external funding from various sources. SAR 53.7 billion invested in capital projects during the period (2015: SAR 55.2 billion).
- SEC continues to be one of the highest rated corporate in Saudi Arabia with A2/A+/A- ratings by Moody's, Fitch and S&P respectively.

PERFORMANCE REVIEW

Revenues

Item (SAR million)	2016	% of total	2015	% of total	Change
Electricity Sales	45,321	90.8%	37,581	90.5%	20.6%
Meter reading, maintenance and bill preparation income	1,186	2.4%	1,118	2.7%	6.1%
Electricity Connection Tariff	2,313	4.6%	2,073	5.0%	11.6%
Transmission System Revenues	602	1.2%	544	1.5%	10.7%
Other Operating Revenues	492	1.0%	223	0.3%	119.6%
Total Operating Revenues	49,915	100%	41,539	100.0%	20.2%

- 2016 total revenues increased by 20.2% to SAR 49.9 billion, primarily driven by growth in electricity sales, electricity connection tariff and other operating revenue.
- 20.6% increase in electricity sales during 2016 compared to 2015 due to:
 - The tariff increase applied in Jan 2016 resulted in 19.9% increase in average sale per Kwh from 13.16 halala in 2015 to 15.78 halala in 2016;
 - 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 %		
	2016	2015	Change	2016	2015	Change
Residential	49.8%	50.6%	(0.7)pp	27.9%	30.4%	(2.4)pp
Industrial	16.2%	15.8%	0.4pp	18.3%	17.3%	1.0pp
Commercial	16.7%	16.3%	0.4pp	23.6%	22.5%	1.1pp
Governmental	13.3%	13.7%	(0.4)pp	27.1%	27.1%	0.0pp
Others	4.0%	3.6%	0.4pp	3.0%	2.8%	0.2pp

- iii. 1% growth in quantity sold primarily driven by growing consumption in commercial and industrial segments. In 2016, SEC sold 287.4 TWh (2015: 285.7 TWh) of electricity.
- 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.
- SEC's customer base grew 6.1% year on year to stand at 8.6 million with higher margin commercial and industrial customers continuing to grow their share of the sales mix.

Cost of Sales

Item (SAR million)	2016	% of total	2015	% of total	Change
Fuel	9,978	21.3%	5,978	15.3%	66.9%
Purchased energy	8,423	18.0%	7,313	18.8%	15.2%
Operation and maintenance	11,586	24.7%	11,114	28.5%	4.2%
Depreciation ⁽¹⁾	16,914	36.1%	14,549	37.4%	16.3%
Cost of Sales	46,900	100.0%	38,953	100.0%	20.4%

⁽¹⁾ Depreciation relating to operating assets

- Lower fuel consumption volumes during 2016 is reflecting favorably optimized fuel mix and improved generation efficiency. The 66.9% net increase in fuel cost is primarily driven by increase in fuel prices effected in late Dec 2015. Fuel mix used for generation in SEC's plants during 2016 in terms of mmbtu was: gas 33.4%, crude oil 33.0%, diesel 16.8%, and heavy crude oil 16.8%.
- 15.2% increase in purchased energy mainly driven by higher output produced by other producers and increase in fuel prices effected on some IPPs/IWPP during 2016.
- 4.2% increase in operations and maintenance costs mainly arose from higher provisions taken against doubtful receivables and slow moving inventory, and higher municipality fees driven by the tariff increase. The marginal increase in operations and maintenance despite the high expansion in our fleet capacity and network length is a clear demonstration of our focus on rigorous control over costs.
- 16.3% increase in depreciation reflecting the growth in the operating asset base: total projects and other assets amounting to SAR 54.9 billion (2015: SAR 29.6 billion) were completed and became operational over the course of 2016.

EBITDA, Margins, and Net Profit/ Losses

- 2016 EBITDA grew 18.2% to SAR 19,479 million (2015: 16,477 million) implying a positive impact from the tariff increase, improved sales mix and improved operational efficiency. Excluding the net impact of one-off items of (SAR 360 million) in 2015, the growth in 2016 EBITDA on an underlying basis would be 15.7%. 2015 included a non-recurring expense item (SAR 562 million) of grant of two months' salary to SEC's Saudi employees after the royal succession in January 2015. This was partially offset by a net positive adjustment of non-recurring income accounted during Q4 2015 amounting to SAR 202 million.
- Reported net profit attributable to SEC shareholders in 2016 is SAR 2,113 million as against SAR 1,544 million in 2015 implying an increase of 36.9%; the growth in the net income was mainly driven by improved operational efficiency and supported by tariff increase, improved sales mix and rigorous control over our operation and maintenance costs.

Cash flow and Capital Expenditure

- Cash flow from operations in 2016 is SAR 31.8 billion compared to SAR 31.0 billion in 2015, an increase of 2.6%. The increase is mainly driven by higher operating revenues during 2016.
- Net cash outflow on account of investing activities remains flat at SAR 56 billion in 2016 (2015: SAR 56 billion), this is 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 23.4 billion (2015: SAR 20.1 billion) was primarily from proceeds drawn down from long term governmental soft loan and commercial loan facilities (totaling SAR 26.3 billion). This was partially offset by a repayment of SAR 2.3 billion relating to long term facilities and a total dividend payment of SAR 536 million mainly relating to 2015.
- SEC closed 2016 with a gross cash position of SAR 1.2 billion (2015: SAR 2 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 2016, SEC's asset base has grown 12.5% year on year to SAR 403 billion (2015: SAR 358 billion), with shareholders' equity growing 2.7% year on year to SAR 62.0 billion (2015: SAR 60.3 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.

Further enquiries

Fahad A. Al-Mulhim
Head of Investor Relations

faMulhim@se.com.sa

(Tel # +966 11 80 78476)

Sayed Algohary
Investor Relations Manager

sgohary@se.com.sa

(Tel # +966 11 80 77161)

Overview of Saudi Electricity Company (“SEC”)

SEC is the largest utility in the MENA region with a market capitalization of SAR 94 bn (US\$ 25 bn) as at 31 December 2016, 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 8.6 million customers in Saudi Arabia. Saudi Arabia is one of the Top 20 economies globally whose demand for electricity is growing 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 2016, please refer to the corporate website: www.se.com.sa

End of Release