

**Saudi Electricity Company ('SEC')**  
**Financial results for the three months ending 31<sup>st</sup> March 2017**

**Continued growth in customer base drives a slight revenues growth, however net income significantly grows due to municipalities fees cancellation**

**Riyadh, 10 May 2017** – Saudi Electricity Company (“SEC”), the largest utility company in the Middle East and North Africa region, announces its interim financial results for the period ended 31<sup>st</sup> March 2017.

Figures in SAR million	Periods		
	Q1 2017	Q1 2016	% change
Description			
Revenues	<b>8,920</b>	8,895	0.3%
Gross Profit/losses	<b>(654)</b>	(342)	-91.1%
<i>Gross Profit/losses Margin %</i>	<b>-7.33%</b>	-3.84%	-3.49pp
Operating Profit/losses	<b>5,283</b>	(407)	-
<i>Operating Profit/losses Margin %</i>	<b>59.2%</b>	-4.58%	-
Net profit/losses	<b>4,936</b>	(798)	-
Reported Earnings/losses per share (SAR)	<b>1.18</b>	(0.19)	-
EBITDA <sup>(1)</sup>	<b>9,008</b>	2,826	218.8%
<i>EBITDA Margin %</i>	<b>101.0%</b>	31.8%	69.2pp
One-off items	<b>5,888</b>	-	
<b>Excluding one-off items</b>			
Underlying EBITDA <sup>(2)</sup>	<b>3,120</b>	2,826	10.4%
<i>Underlying EBITDA Margin%</i>	<b>35%</b>	31.8%	3.2pp
Underlying Net profit/losses <sup>(3)</sup>	<b>(952)</b>	(798)	(19.7)%

(1) EBITDA = Net profit/losses + depreciation + net interest expense + Zakat expense

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

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

## HIGHLIGHTS

- A slight YoY growth of 0.3% in total operating revenues primarily driven by continued growth in customer base and higher transmission system revenues.
- Electricity sales decline 0.7% YoY due to lower electricity consumption that declined 1.1% YoY post the tariff increase effected in Jan 2016.
- Continued optimization of operations and maintenance costs and improvement in fuel efficiency partially offset higher operating costs arise from higher depreciation and purchased power costs, signifying SEC's rigorous efforts to control costs.
- EBITDA and net profit are significantly positively impacted by one-off items including :
  - 1) a substantial reversal of accrued historical municipalities fees of SAR 6.1 billion post issuance of a royal decree to cancel municipalities fees in Feb 2017; and
  - 2) this was partially offset by a charged one-off expense of SAR 232 million relating to employees early retirement plans under the company's human resources productivity improvement program.
- Major capital expenditure program continues. SAR 12.7 billion invested in capital projects and fixed assets during the first three months of 2017.
- SEC's Board recommends and the General Assembly approves a dividend payment for 2016 of SAR 0.70 a share, which is in line with the payout in previous years.
- 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)	Q1 2017	% of Total	Q1 2016	% of total	Change
Electricity Sales	7,550	84.6%	7,606	85.5%	-0.7%
Meter reading, maintenance and bill preparation income	307	3.4%	292	3.3%	5.0%
Electricity Connection Tariff	594	6.7%	542	6.1%	9.7%
Transmission System Revenues	424	4.8%	331	3.7%	28.1%
Other Operating Revenues	46	0.5%	124	1.4%	-63.2%
<b>Total Operating Revenues</b>	<b>8,920</b>	<b>100.0%</b>	<b>8,895</b>	<b>100%</b>	<b>0.3%</b>

- Q1 2017 total revenues increased by 0.3% to SAR 8.92 billion, primarily driven by increased electricity connection tariff revenues due to 6% YoY growth in customer base and higher transmission system revenues.
- A slight decline of 0.7% increase in electricity sales in Q1 2017 over corresponding period of 2016 is due to:
  - i) 1.1% YoY decline in overall electricity consumption. In Q1 2017, SEC sold 49.4 TWh (Q1 2016: 49.9 TWh) of electricity; and
  - ii) Some meter reclassification from governmental segment resulting in a change in the sales mix (see below).

Customer base split by sales volume and relative revenue contribution						
Segment	Volume contribution %			Value contribution %		
	Q1 2017	Q1 2016	Change	Q1 2017	Q1 2016	Change
Residential	45.0%	43.0%	2.0 pp	21.9%	18.7%	3.2 pp
Industrial	21.8%	21.6%	0.2 pp	24.8%	24.4%	0.4 pp
Commercial	15.8%	16.9%	-1.1 pp	23.2%	23.5%	-0.3 pp
Governmental	13.0%	14.7%	-1.7 pp	26.9%	30.5%	-3.6 pp
Others	4.50%	3.8%	0.7 pp	3.3%	2.9%	0.4 pp

- Higher revenues of transmission system due to increased backup service/wheeling charges on major industrial facilities who have their own onsite captive generation and use SEC's transmission national grid to transmit power.
- 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.
- As end of Q1 2017 SEC's customer base grew 6% yoy from 8.2 million to 8.7 million.

#### Cost of Sales

Item (SAR million)	Q1 2017	% of total	Q1 2016	% of total	Change
Fuel	(1,453)	15.2%	(1,509)	16.3%	-3.7%
Purchased energy	(1,717)	17.9%	(1,581)	17.1%	8.6%
Operation and maintenance	(2,778)	29.0%	(2,994)	32.4%	-7.2%
Depreciation <sup>(1)</sup>	(3,626)	37.9%	(3,152)	34.1%	15.0%
<b>Cost of Sales</b>	<b>(9,574)</b>	<b>100.0%</b>	<b>(9,237)</b>	<b>100.0%</b>	<b>3.7%</b>

<sup>(1)</sup> Depreciation relating to operating assets

- 3.7% YoY decrease in fuel costs reflecting saving from improved fuel efficiency and continued shift in the fuel mix to lower consumption of the diesel fuel type as a feedstock.
- 8.6% YoY increase in purchased power cost mainly driven by higher output from IPPs generation. This as opposed to temporary outage incidents for some of the IPPs during Q1 2016.
- 7.2% YoY decrease in operations and maintenance costs mainly arose from municipalities fees cancellation and optimized material and contracts costs .
- 15.0% increase in depreciation reflecting the growth in the operating asset base: projects amounting to SAR 56 billion were completed and became operational over the course of the last 12 months, which is a historic value in SEC for asset addition over 12 month period.

## EBITDA, Margins, and Net Profit/ Losses

- EBITDA up 218.8% to SAR 9,008 million and significantly positively impacted by one-off items including:
  - 1) a substantial reversal of accrued historical municipalities fees of SAR 6.1 billion post issuance of a royal decree to cancel municipalities fees in Feb 2017; and
  - 2) this was partially offset by a charged one-off expense of SAR 232 million relating to employees early retirement plans under the company's human resources productivity improvement program. The program is intended to improve and align human resources with business requirements.
- Excluding the impact of the aforementioned one-off items in Q1 2017, the growth in EBITDA would be 10.4%.
- Reported net profit in Q1 2017 is SAR 4,936 million as against net losses of SAR 798 million in Q1 2016; implying a significant positive net impact from the aforementioned on-off items in Q1 2017. Excluding these on-off items, Q1 2017 would reported net losses on an underlying basis of SAR 952 million, implying 19.7% increase in net losses compared to corresponding previous year period.

## Cash Flow and Capital Expenditure

- 82.1% increase in cash flow from operations to SAR 11.1 billion (Q1 2016: SAR 6.1 billion) mainly driven by higher net profit and positive movement in working capital mainly.
- Overall SAR 13.6 billion in Q1 2017 (Q1 2016: SAR 14.1 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 during Q1 2017 of SAR 2.8 billion (Q1 2016: SAR 7.8 billion) was primarily from proceeds drawn down from commercial loan facilities (totaling SAR 4.9 billion) that were marginally offset by a repayment of SAR 2.1 billion relating to due installments of long term facilities and repayment of Sukuk on maturity.
- SEC closed Q1 2017 with a gross cash position of SAR 1.8 billion (Q1 2016: SAR 2.1 billion).

## Asset and Equity Base

- The growth in the asset base reflects SEC's continuing major investments into its generation, transmission and distribution capabilities. during the three month period ended on 31st March 2017, SEC's asset base had grown 2.4% to SAR 431.8 billion (2016 end: SAR 421.6 billion), with shareholders' equity growing 7.5% to SAR 70.5 billion during the same period (2016 end : SAR 65.6 billion).

## IFRS Conversion.

- SEC has adopted the International Financial Reporting Standards (IFRS) effective 1 January 2017. Accordingly, some changes have been made to SEC's financial statements on a number of items in the measurement, presentation and disclosure method for the current and comparative periods in accordance with the accounting policies applied in accordance with International Standards For the financial reporting approved in Saudi Arabia and other publications and standards approved by the Saudi Organization for Certified Public Accountants. For further details, note 5 (Application of IFRS

for the first time) can be read in the notes of the interim consolidated financial statements for the period ended 31 March 2017.

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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 97 billion (US\$ 25.8 billion) as at 31 March 2017, 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 8.7 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 three months period ended 31 March 2017, please refer to the corporate website: [www.se.com.sa](http://www.se.com.sa)

**End of Release.**