

**Saudi Electricity Company ('SEC')**  
**Financial results for the year ended 31 December 2017**

**1.5% revenues growth driven by continued growing customer base, and 52% net income growth primarily driven by municipalities' fees cancellation**

**Riyadh, 21 March 2017** – 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 31 December 2017.

Figures in SAR million	Periods		
	FY 2017	FY 2016	% change
Description (Figures in SAR million)			
Revenues	<b>50,615</b>	49,861	1.5%
Gross Profit	<b>6,620</b>	6,852	(3.4)%
<i>Gross Profit Margin %</i>	<b>13.1%</b>	13.7%	<i>(0.6)pp<sup>(2)</sup></i>
Operating Profit	<b>10,005</b>	6,661	50.2%
<i>Operating Profit Margin %</i>	<b>19.8%</b>	13.4%	<i>6.4pp</i>
Net profit	<b>6,908</b>	4,545	52.0%
<i>Net Profit Margin %</i>	<b>13.6%</b>	9.1%	<i>4.5pp</i>
Reported Earnings per share (SAR)	<b>1.66</b>	1.09	52.2%
EBITDA <sup>(1)</sup>	<b>25,567</b>	20,062	27.4%
<i>EBITDA Margin %</i>	<b>50.5%</b>	40.2%	<i>10.3pp</i>

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

(2) pp : percentage points

**HIGHLIGHTS**

- Continued growth in the customer base, higher wheeled energy, and supported by 0.4% growth in electricity consumption drive 1.5% year-on-year growth in total operating revenues during 2017.
- Improvement in thermal efficiency, continued optimization of fuel mix and operations and maintenance costs partially offset higher operating costs arise from increased depreciation and purchased power costs, signifying SEC's rigorous efforts to improve efficiency and control costs.
- EBITDA and net profit in 2017 are 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 net one-off expenses/provisions of SAR 4 billion primarily relating to the company's human resources productivity improvement program, provisions for inventory and other provisions relating to potential liabilities.
  - 3) Year 2016 also was impacted by a charged one-off expense of SAR 110 million relating to employees' early retirement plans under the company's human resources productivity improvement program.
- Major capital expenditure program continues. SAR 43.2 billion mainly invested in capital projects during 2017.
  - Transfer of SAR22 billion of accumulated fuel payables liability due to Saudi Aramco to the account of Ministry of Finance.
  - 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)	2017	% of total	2016	% of Total	Change %
Electricity sales	45,446	89.8%	45,321	90.9%	0.3%
Electricity service connection tariffs	2,591	5.1%	2,259	4.5%	14.7%
Meter reading, maintenance and bill preparation income	1,249	2.5%	1,186	2.4%	5.3%
Transmission system revenues	1,096	2.2%	602	1.2%	82.1%
Other operating revenues	233	0.5%	492	1.0%	(52.6)%
<b>Total operating revenues</b>	<b>50,615</b>	<b>100%</b>	<b>49,861</b>	<b>100%</b>	<b>1.5%</b>

- Total operating revenues grew by 1.5% to SAR 50.6 billion, primarily due continued growth in the customer base, higher wheeled energy, and supported by 0.4% growth in electricity consumption.
- A slight growth of 0.4% in consumption volumes driven by change in customer behavior towards rationalization, as well as demand efficiency initiatives impact. In 2017, SEC sold 288.5TWh (2016: 287.4 TWh) of electricity. See below the sales mix.

Sales split by sales volume and relative revenue contribution						
Segment	Volume Contribution %			Value Contribution %		
	2017	2016	Change pp	2017	2016	Change pp
Residential	50.0%	49.4%	0.6	27.5%	28.2%	(0.7)
Industrial	16.5%	16.3%	0.2	18.8%	18.5%	0.3
Commercial	16.3%	16.4%	(0.1)	23.8%	23.4%	0.4
Governmental	12.9%	13.1%	(0.2)	26.4%	26.5%	(0.1)
Other	4.2%	4.8%	(0.6)	3.5%	3.4%	0.1

- Higher revenues of transmission system is due to increased backup service and 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 2017 SEC's customer base grew 5% year on year from 8.6 million to 9.1 million.

## Cost of Sales

Item (SAR million)	9M 2017	% of total	9M 2016	% of total	Change %
Fuel	9,027	20.5%	9,989	23.2%	(9.6)%
Purchased energy	8,021	18.2%	7,430	17.3%	8.0%
Operation and maintenance	11,672	26.5%	12,468	29.0%	(6.4)%
Depreciation(1)	15,275	34.7%	13,121	30.5%	16.4%
<b>Cost of Sales</b>	<b>43,995</b>	<b>100%</b>	<b>43,009</b>	<b>100%</b>	<b>2.3%</b>

(1) Depreciation relating to operating assets

- 9.6% year on year decrease in fuel costs is reflecting saving from improved thermal efficiency in SEC generation fleet to 36.8% in 2017 (2016: 35.7%) and continued shift to optimize the fuel mix towards lower consumption of the diesel and light crude oil fuel types as a feedstock. The thermal efficiency of the overall generation fleet in the kingdom improved to 38.8% in 2017 (2016: 37.6%). Fuel mix used in SEC's generation plants during 2017 in terms of mmbtu volumes is gas 35%, crude oil 31%, diesel 9%, and heavy fuel oil 25%.
- 8% year on year increase in purchased power cost is mainly driven by higher output from IWPP and IPPs generation. This is opposed to temporary outage incidents for some of the IPPs during 2016.
- 6.4% year on year decrease in operations and maintenance costs is mainly due to municipalities' fees cancellation and optimized material costs.
- 16.4% increase in depreciation is reflecting the growth in the operating asset base: projects amounting to SAR 50.4 billion were completed and became operational over the course of 2017.
- Combined decrease in operations and maintenance costs and fuel costs partially offset the increase in uncontrollable costs arise from depreciation and purchased power costs.

## EBITDA, Margins, and Net Profit/ Losses

- EBITDA up 27.4% to SAR 25.6 billion ( 2016: SAR 20.1 billion) and 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 net one-off expenses/provisions of SAR 4 billion primarily relating to the company's human resources productivity improvement program and ageing inventory provisions and other provisions relating to potential liabilities.
  - 3) also was opposed by a charged one-off expense of SAR 110 million in 2016, relating to employees' early retirement plans under the same company's human resources productivity improvement program. The program aims to improve and align human resources with business requirements.
- Reported net profit up 52% to SAR 6.9 billion (2016: SAR 4.5 billion); implying net positive impact from the aforementioned on-off items in 2017.

### Cash flow and Capital Expenditure

- Cash flow from operations during 2017 is SAR 33.6 billion (2016: SAR 30.3 billion), an increase of 11%. The increase is principally due to higher net income achieved and optimized inventory levels.
- Overall SAR 43.2 billion in 2017 (2016: SAR 55.8 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, improving and extending transmission and distribution networks.
- The net cash inflow from financing activities in 2017 of SAR 9.6 billion (2016: SAR 24.8 billion) is primarily driven by net proceeds raised from borrowings (totaling SAR 18.7 billion) that is partially offset by repayments of loans and Sukuk of SAR 8.6 billion and dividend cash payments of SAR 539 million.
- SEC closed 2017 with a gross cash position of SAR 1.1 billion (2016: SAR 1.0 billion).

### Asset, liabilities and Equity Base

- 39% year-on-year increase in Government payables grew up to SAR 80 billion primarily due to the transfer of SAR22 billion of accumulated fuel payables liability due to Saudi Aramco, to the account of Ministry of Finance.
- The growth in the asset base reflects SEC continuing major investments into its generation, transmission and distribution capabilities. As at end of 2017, SEC's asset base grew 5.9% to SAR 445.8 billion (2016 end: SAR 421 billion), with shareholders' equity growing 10.2% to SAR 72.3 billion during the same period (2016: 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 7 (First time adoption of IFRS) can be read in the notes of the annual consolidated financial statements for the period ended 31 December 2017.

**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 87.7 billion (US\$ 23.4 billion) as at 31 December 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 about 9.1 million customers in Saudi Arabia. Saudi Arabia is one of the Top 20 economies globally whose demand for electricity is growing driven by favorable demographic makeup and an increasingly diversified and growing economy.

For further information on SEC and the full financial statements for the year ended 31 December 2017, please refer to the corporate website: [www.se.com.sa](http://www.se.com.sa)

**End of Release**