

2016

2014

2014

2013

2012

2012

2011

Annual Report 2012



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The Kingdom of Saudi Arabia comprises an area of 2.25 million km², encompassing vast deserts, rugged mountains, coastal cities, villages, and settlements.

A low-angle, upward-looking shot of a modern skyscraper with a glass facade. The building's structure is composed of a grid of dark lines, creating a strong geometric pattern that dominates the right side of the frame. The sky is a pale, clear blue, providing a high-contrast background for the building. The overall mood is one of architectural grandeur and modernity.

With an economic annual growth rate of

6.8%

Saudi Arabia is one of the fastest-growing
countries in the world

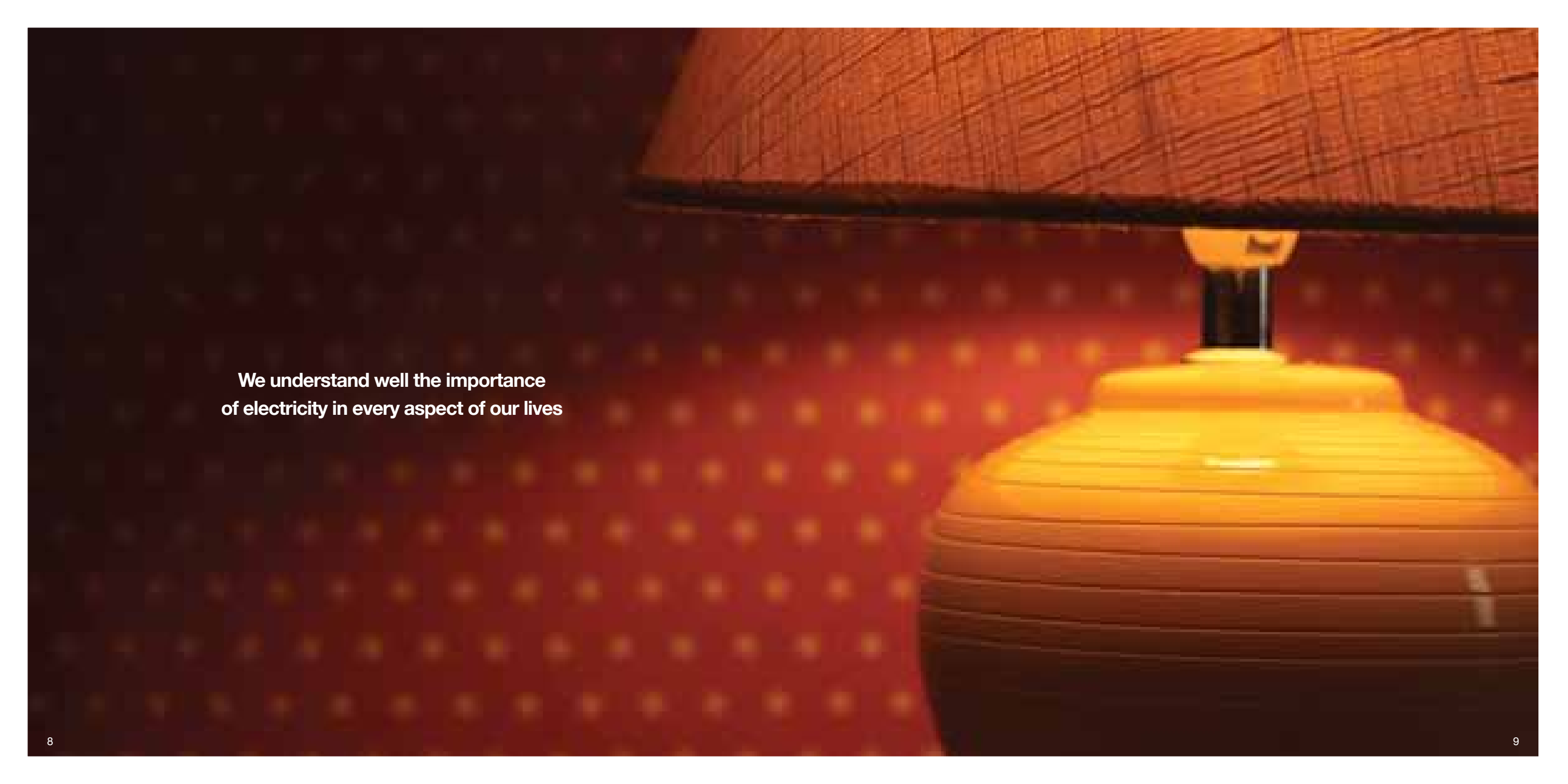


Our dynamic economic
development
demands reliable partners

The background of the slide is a dark, out-of-focus image of many small, circular light sources. On the left side, there are several bright red lights. On the right side, there are many bright yellow and white lights, with a few red lights interspersed. The overall effect is a bokeh of city lights or festive decorations.

Fulfilling the promise

Despite the rapidly rising demand for electricity, currently at 8% annually, we at the Saudi Electricity Company are highly committed to meeting the needs of the industry's various development sectors.

A lamp with a textured orange shade and a yellow base is positioned on the right side of the frame. The lamp is illuminated, casting a warm glow. The background is a dark red surface with a pattern of small, light-colored polka dots. The text "We understand well the importance of electricity in every aspect of our lives" is written in white on the left side of the image.

**We understand well the importance
of electricity in every aspect of our lives**

The background of the entire slide is a close-up photograph of green leaves, showing prominent veins and a vibrant green color. The leaves are slightly out of focus, creating a soft, natural texture.

**And because we believe in
preserving our environment**

we've launched a program to save up to

45 million

barrels of oil every year

We are restructuring our activities

to promote electrical energy production on all levels; commercial, economic, and technical.

We promise an attractive environment for investors in the electrical industry, in addition to achieving high levels of operating 'efficiency' and the quality of services that we offer to our customers.



Our success factors are many,
but the biggest is our
teamwork spirit



**Servicing our customers and
ensuring their comfort**
is always the focus of our attention



53,588

Electricity generation capacity (MW)

51,881

Power transmission network lengths
(km circular)

438,130

Power distribution network lengths
(km circular)

6.7

Number of customers (million)

12,450

Number of cities and communities
our electricity reaches

87.58%

Employment of Saudi nationals (%)



**Security
and safety**
are our top priorities

**We work to achieve the goals of
our shareholders**

Our profit in 2012

2,561,066

million SAR



Saudi Electricity Company Power Plants



Strategic Plan Linking the Kingdom





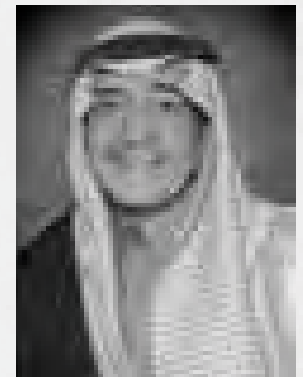
The Custodian of the Two Holy Mosques
King Abdullah bin Abdul Aziz Al-Saud



His Royal Highness
Prince Salman bin Abdul Aziz
Crown Prince, Deputy Prime Minister, and
Minister of Defense



His Royal Highness
Prince Muqrin bin Abdul Aziz
Second Deputy Prime Minister, Chancellor, and
Special Envoy for The Custodian of
The Two Holy Mosques



Board of Directors

Engineer Isam bin Alwan Al-Bayat	Mr. Sulaiman bin Abdullah Alkadi Vice Chairman of the Board	Dr. Saleh bin Hussein Al-Awajji Chairman of the Board
Mr. Abdulaziz bin Saleh Al-Fereih	Dr. Saud bin Mohammed Al-Nemer	Mr. Saleh bin Saad Al-Mehanna
Engineer Ziad bin Mohammed Al-Shiha	Mr. Ahmed bin Abdullah Al-Aqeel	Dr. Yousif bin Abdulaziz Al-Turki





Our Vision

To help and improve the standards of living and to enhance the economic competitiveness of the Kingdom of Saudi Arabia.

Our Mission

We are committed to provide our customers with safe and reliable electric services, to meet the expectations of our shareholders, caring for our employees, and ensuring optimum utilization of available resources.

Chairman's Message



Dr. Saleh bin Hussein Al-Awajji

With the increasing challenges of annual growth and demand for electricity which reached 8%, the board of directors and executive management-level employees are doubling their efforts to accommodate rising need. In order to implement the company's plans and programs, we work as a team to keep up with the requirements of the electricity industry's development sectors. The company is currently pursuing the implementation of projects amounting to SAR 150 billion, which are expected to actively contribute to strengthening the electrical system in generation, transmission, and distribution services.

At its fourth session which started at the beginning of 2012, the board selected 22 goals to implement immediately, most notable of them: completing the company's restructuring program, developing the human resources, especially the leadership needed by the company, applying corporate governance practices, addressing the issue of non-essential staff and setting a plan for the expansion of renewable energy projects over the next ten years. Other goals include promoting, developing, and strengthening financial status, the internal audit system, addressing any outstanding balance, establishing risk management, and adopting a program for replacing old generating units in order to achieve the highest levels of efficiency in the use of fuel and reduction of diesel consumption. Last but not least, it was decided that an engineering company will be established to provide design work, supervision, and management of engineering projects. The company will encourage the local and private sector participation and global expansion in building power plants and purchasing the electricity from these companies, promoting sector studies, research and development which meets the needs of the company and its status, and endorsing local and international technical cooperation.

To achieve these goals, the board has developed executive programs for each target with management to follow up implementation under the supervision of the council and its committees. The plans are based on population and economic growth forecasts so the company can continue creating the projects that meet the Kingdom's comprehensive developmental electric energy requirements. Thus the company moves with confident paces toward achieving its mission, its strategy that aims at fulfilling the requirements of its customers and its shareholders, carrying the responsibility in order to provide the necessary electricity services to accelerate the development of the country. In addition to that, we highly value our role in social responsibility and environmental conservation.

Through this introduction, I am pleased on behalf of myself, my colleagues on the board of directors, the company's management and all the employees to express my sincere thanks, appreciation and gratitude to our government helmed by the Custodian of the Two Holy Mosques King Abdullah bin Abdul Aziz and His Royal Highness Prince Salman bin Abdul Aziz, Crown Prince, Deputy Prime Minister and Minister of Defense and His Royal Highness Prince Muqrin bin Abdul Aziz, Second Deputy Prime Minister, and Engineer Abdullah bin Abdul Rahman Alhosayn, Minister of Water and Electricity. God reward them for their huge efforts and their remarkable support for the company during the course of its evolution, enabling it to fulfill its role and elevating our country by satisfying the needs of the electricity sector. I also extend my sincere thanks and appreciation to the shareholders, customers, and management of the company and its employees, praying to the Almighty to help us all to achieve what we aspire in order to serve our dear country.

Our Achievements

Statement

	Establishment of the Company 5 April, 2000
Electricity generation capacity (MW)	24,083
Transmission networks lengths (km circular)	29,166
Distribution network lengths (km circular)	219,076
Number of customers (million)	3.5%
The number of cities, villages and settlements our electricity reaches	7,406
Employment of Saudi nationals (%)	71.60%

2012	Percentage of Change
53,588	122.5% ↑
51,881	77.9% ↑
438,130	100% ↑
6.7%	91.3% ↑
12,450	68.1% ↑
87.58%	22.3% ↑

CEO's Message



Engineer Ali bin Saleh Al-Barrak

Launching the National Grid SA is considered one of the great achievements of the Saudi Electricity Company in 2012. It is an important step towards completing the restructuring program which will see the Kingdom performing in a competitive market and providing the best of electric services that can be offered to consumers. The challenge has been to implement the program without affecting the continuity or quality of the service while simultaneously increasing efficiency and reducing cost. The company continued its efforts in developing its human resources and increasing its efficiency and effectiveness through further

adoption of specialized programs for staff development, planning career paths, and training employees. The total number of trainees by the end of the year was 1,460, and the number of session participants was 35,455. It was natural for these efforts to be focused on increasing the percentage of Saudi nationals at the end of the year to 87.58%.

As a result of these great efforts, the financial performance results were positive for this year and the company maintained its credit ratings, which was obtained from several specialized international institutions.

These classifications have contributed in strengthening the financial position of the company locally and regionally, and provided the cash flows required for spending on projects such as a Korean export bank loan worth SAR 5.25 billion and the issuance of international bonds valued at SAR 6.6 billion.

The company continued its efforts in strengthening the electrical infrastructure and keeping pace with the increasing growth in demand for electric energy. It successfully boosted the capacity of electrical power-generating stations by 2039 MW, an increase of 4.86% of the actual capacity from the end of 2011. This was as a result of adding 30 gas-generating units in existing stations. In terms of improvement and development of transmission networks, the company has continued its national plan to link all parts of the Kingdom via a 96% national transmission network. The lengths totalled 423,531 km circular, an increase of 93% since 2000. The company also added network systems and underground cables running 1,182 km circular, which power the 30 new transmission substations. In the field of energy distribution, achievements have been highlighted by service delivery to 414,024 new customers and 194 new localities along with the continuous improvement of the distribution networks and the development of customer service centers.

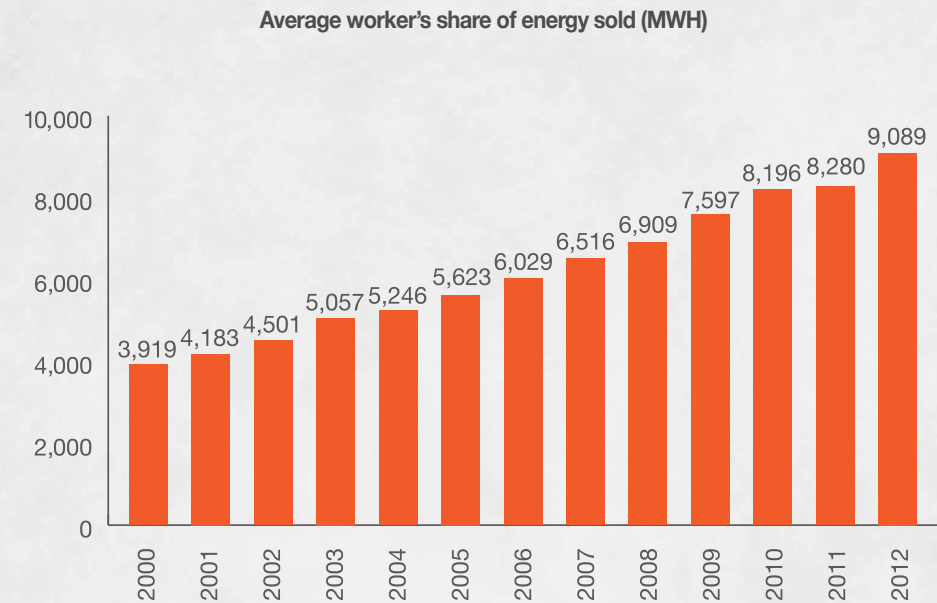
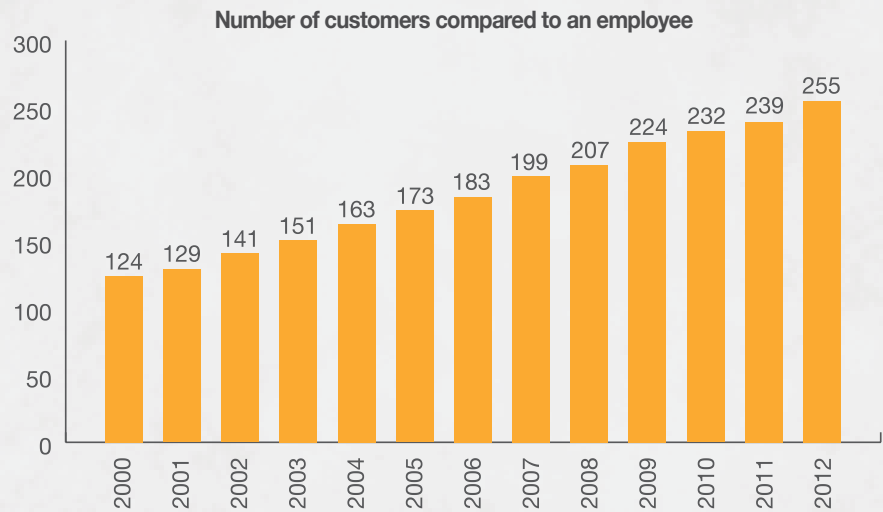
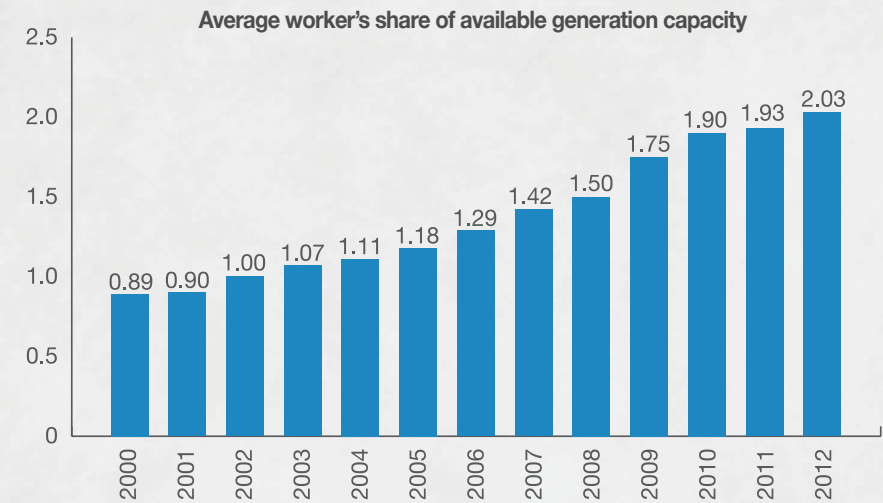
Moreover, the program of private sector participation in energy projects has gained a considerable interest, as it is one of the practical solutions put forward by the company for the establishment of electricity plants through joint investments with the private sector. The company targeted 30% of the generation projects on a build, own, and operate basis. Investments in the first four projects were estimated at over SAR 36 billion. These projects include the establishment of Dharma plant in Riyadh and the two projects Rabigh 1 and Rabigh 2 in the Western province and Qurayyah in the East, in partnership with the private sector. All of these projects will add more than 8,000 MW to the current generating capacity.

In conclusion, I am pleased on behalf of all the employees of the company to offer my sincere thanks and appreciation to His Excellency the Chairman of the Board of Directors and Their Excellencies the members, for their important role in supervising and supporting the company's management and also for the outstanding achievements. I am also pleased to offer my sincere thanks to government bodies and private institutions that have continued to provide support for the company. I extend thanks too to all our customers and shareholders for their valuable support. Special thanks to the employees who stood behind every achievement throughout the past years, I give them sincere praise and a great appreciation for their dedication and hard work, which have helped us meet the challenges of the growing demand for electricity.

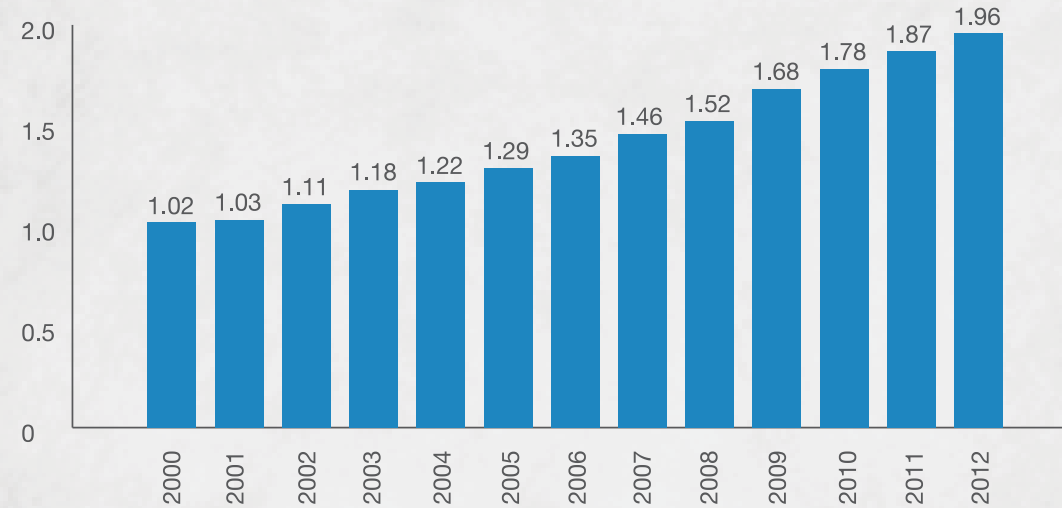


Performance Indicators

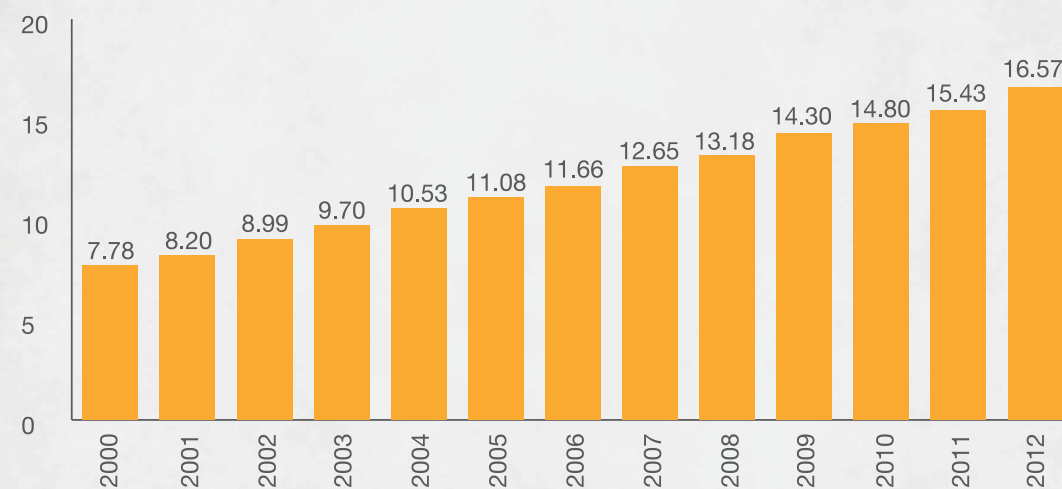
Performance Indicators



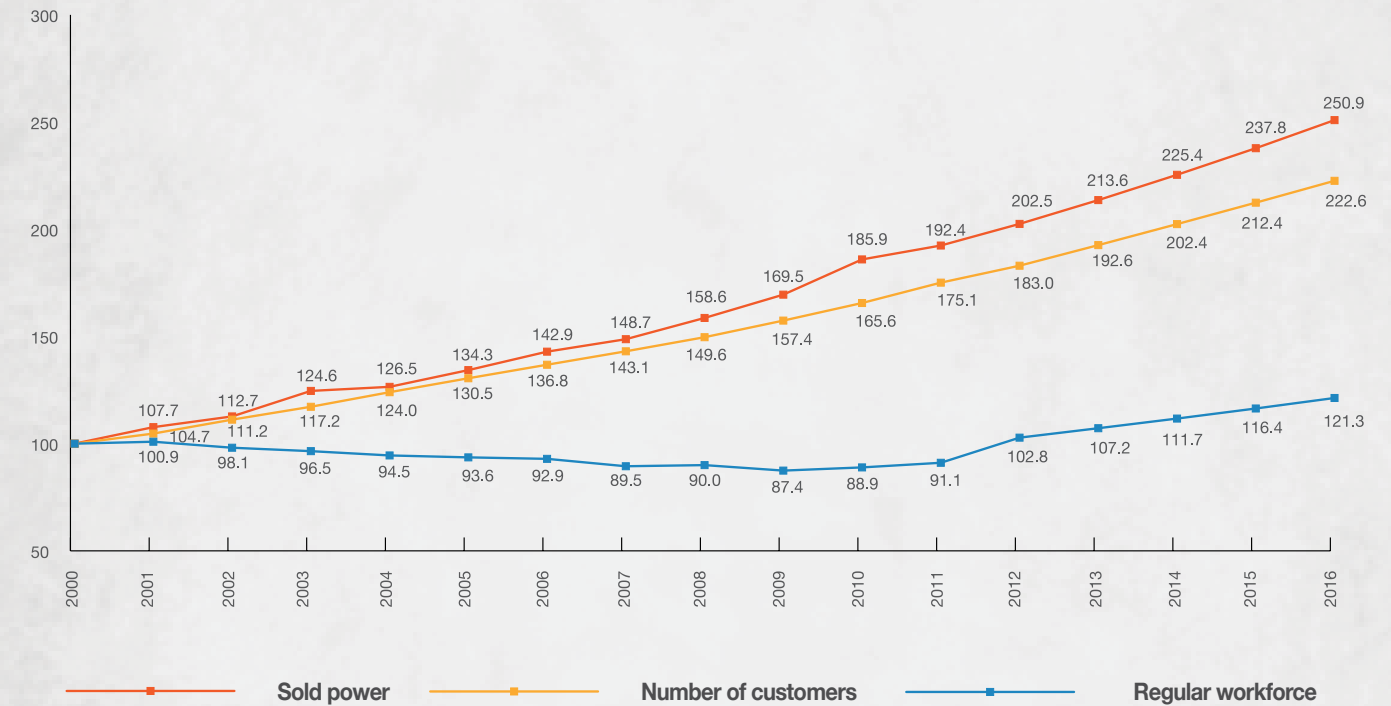
Average worker's share of transmission lines lengths (km circular)



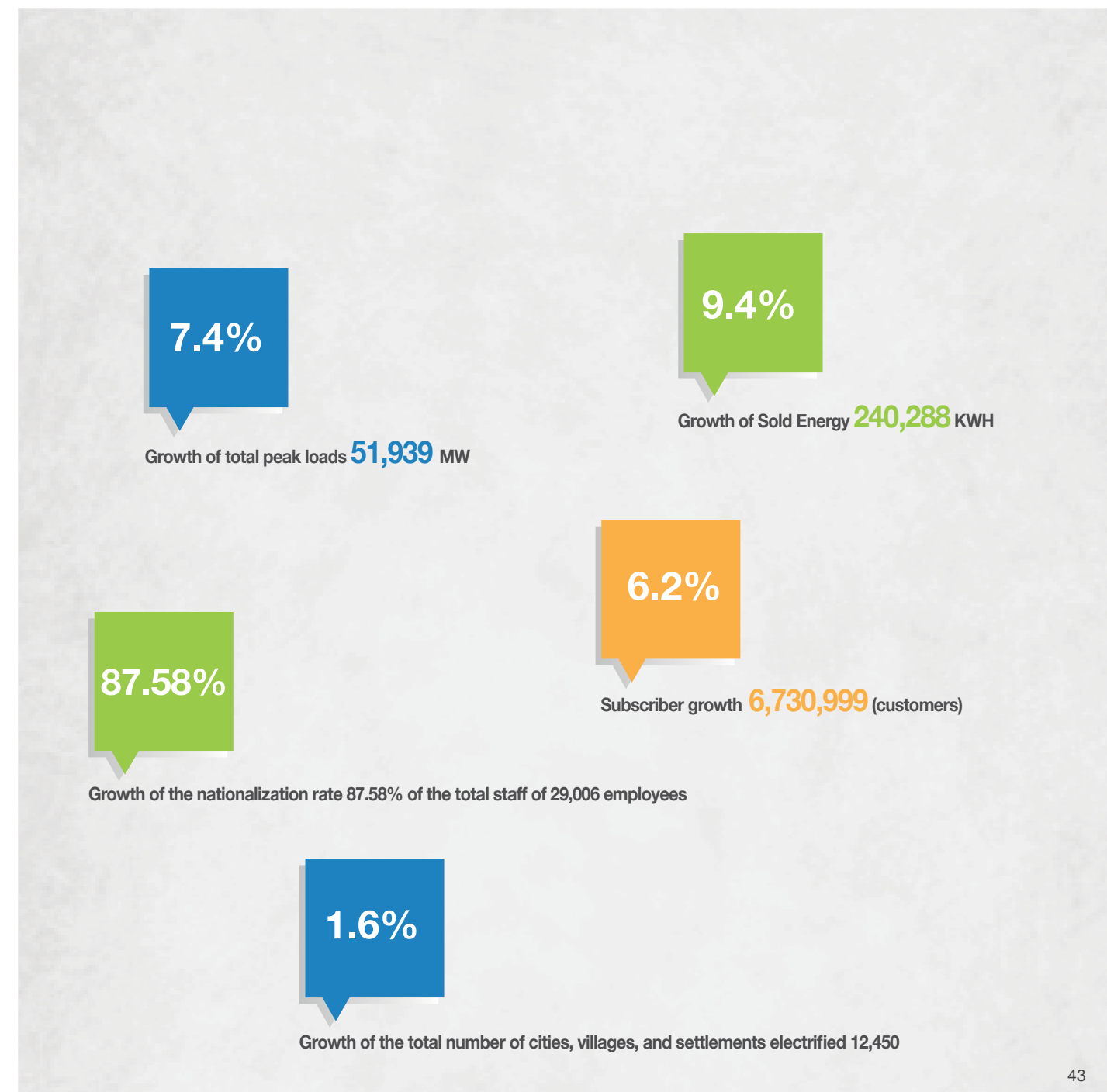
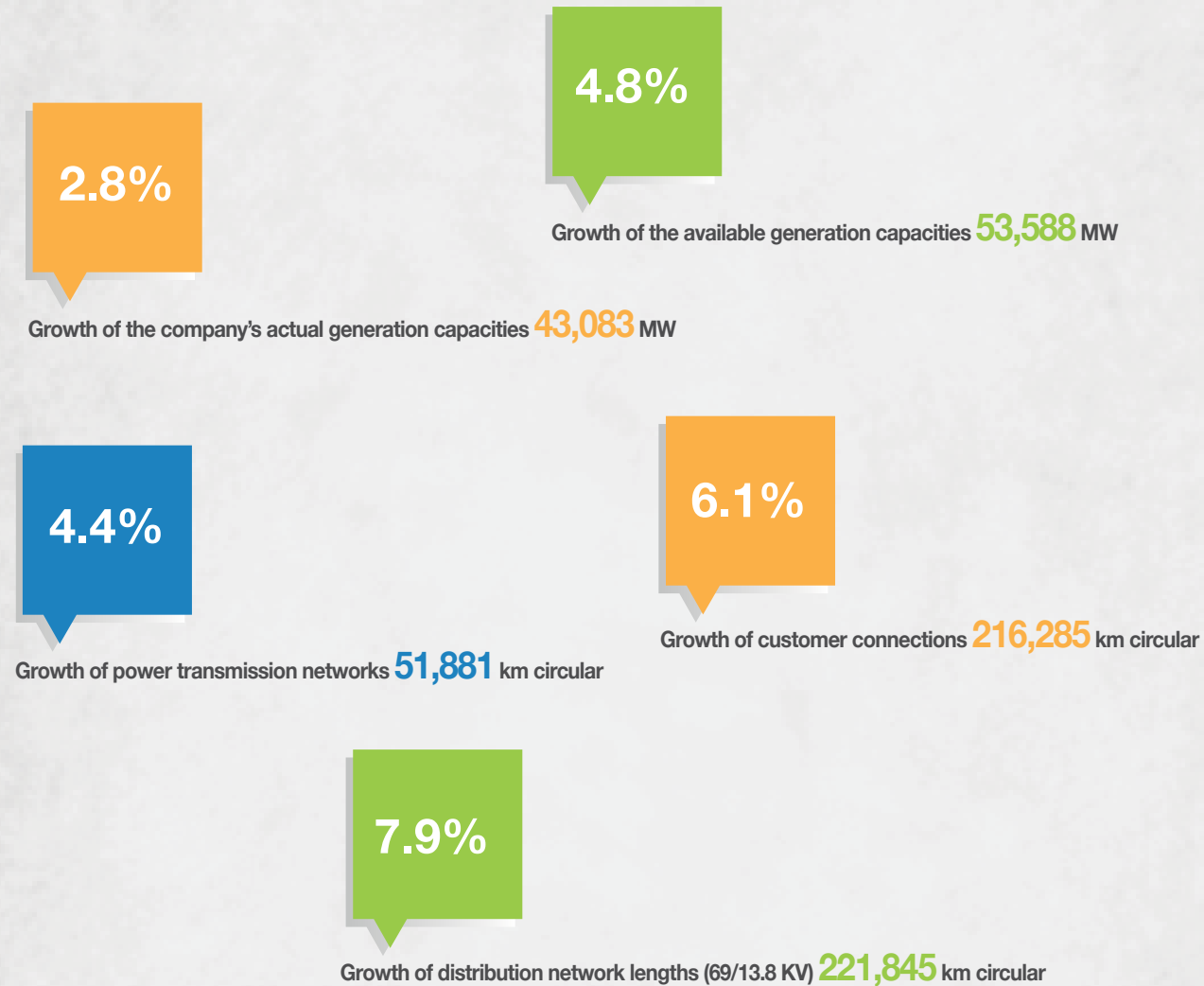
Average worker's share of distribution lines lengths (km circular)



Growth Indicators



Leading Indicators 2012 Compared to 2011



Financial Policy

Financial activity

The company succeeded in maintaining its credit rating, which was endorsed by leading global institutions,, confirming the safety of its strategic orientations, the success of its administrative and operational policies, and its management. These positive ratings have supported the company in its efforts to implement its financial policy and promote its financial position. This has guaranteed necessary cash flow to spend on projects such as the issuance of Islamic bank bonds and obtaining different commercial loans. These outcomes have resulted in the acquisition of financing for the company's projects under the most optimal conditions and the most competitive prices.

Credit Rating

The company's credit rating is considered the highest in the Kingdom, consecutively awarded by Standard & Poor's, Fitch, and Moody's (A1/AA-/AA-).

For major projects, the company has continued to secure funding agreements and diversify its funding sources which are as follows:

First: Funding support from Export-Import Bank of Korea (Kexim)

The company signed a long-term loan agreement worth \$ 1,400 million (equivalent to SAR 5.25 billion) with a repayment period of up to 15 years. The loan will be repaid in equal installments every six months for an estimated 12 years after a grace period of 3 years. Guarantees come from the Korean Exports Banks (Kexim and K-Sure), in addition to direct funding from the Korean Exports Bank (Kexim) along with a group of international banks led by HSBC group, Bank of Tokyo-Mitsubishi, Citibank, Sumitomo Mitsui Banking Corporation, Mizuho Bank and the German Development

Bank of International Exports Projects Finance. The funding will go toward purchasing equipment from the Korean company Doosan to finance Rabigh VI station lying north of the city of Jeddah and overlooking the Red Sea shore.

Second: Loan issuance of international bonds

The company issued bonds valued at \$1,750 million (equivalent to SAR 6.6 billion) including two versions of the certificates; the first for \$500 million maturing after five years and yielding a fixed rate of 2.665%, and the second tranche worth \$1,250 million after ten years with a fixed income of 4.211%.

The return will be paid on each of the two tranches every six months starting from the year 2012. The version has been customized to a group of investors in Europe and the Middle East and Asia. It has also been issued in Saudi Arabia in accordance with national regulations.

Financial separation between the activities of the company

In preparation for the restructuring of the company's activities, numerous actions have been taken on the financial level:

- Creating a consistent financial system and transforming the company's various activities into subsidiary companies.
- Transforming the company's various activities into profit centers attracting investment.
- Applying the servicing agreement between the activities.
- Rating the calculated capital cost by activity.
- Preparing and finalizing the power purchase agreements between the holding company and electricity generating companies as well as the transmission and distribution network rental .





The Restructuring Program

Goals of the program

The restructuring of the electricity sector in the Kingdom is considered one of the strategic goals of the state, included in the provisions of the Electricity Act and its regulatory requirements. The regulations dictated the transformation of the electricity market in Saudi Arabia into:

- A competitive market in energy production with commercial, economic, and technical potential that enables investors to achieve an adequate return on their investment within an impartial and transparent open electricity market. It should be able to contribute to meeting the requirements of large growth rates in the demand for electricity.

Stages of the restructuring program

Starting with the first phase (the single buyer) of the restructuring.



- An attractive environment for investment: the private sector's significant investments are slated to increase the capacity of generation, transmission and distribution, boost production capacity, achieve a high level of operating efficiency and improve the quality of service to the subscribers.

Because of the high importance of the continuity and the stability of the electrical system, it is a must to evaluate and study the risks. The process of restructuring this vital sector should be smoothly transitioned to ensure there is no confusion over the company's operations. This is due to the importance of maintaining a secure electricity service that can meet a significant growth in demand for electric power.

Decisions of the Board of Directors regarding the restructuring program

Transforming the generation, transmission, and distribution activities into:



The Saudi Electricity Company as the parent company

Functions of the Saudi Electricity Company

- * **Preparing a plan of the electricity system based on the requirements of companies.**
- * **Performing tasks related to the buying of energy from all producers and selling it to consumers.**
- * **Planning fuel requirements in the long-term and managing fuel-securing agreements.**
- * **Creating plants and super high voltage networks and delivering them to the companies.**
- * **Providing the necessary funding for the company's projects and its subsidiaries.**
- * **Renting of full capacity transmission and distribution networks.**
- * **Provisioning of common services under service level agreements.**
- * **Developing a unified budget.**

Functions of the National Grid SA

- Owning, operating, and maintaining the transmission network.
- Running the electrical system.
- Monitoring the network performance and the economical operation of power plants.
- Preparing the requirements of the transmission company.
- Designing and implementing high-voltage projects.

Functions of generation companies

- Owning, operating, and maintaining power plants.
- Planning and implementing maintenance projects in addition to improving and rehabilitating projects.
- Raising the efficiency of stations.

Functions of the distribution company

- Owning, operating, and maintaining the distribution network.
- Planning the distribution networks and implementation of projects.
- Managing customer service and issuing and collecting bills.
- Managing small isolated diesel stations until they are connected to the network.

Roadmap of the Restructuring Program

Liberating the market after 2016

Launching the distribution company 2014

Launching 4 generating companies 2014

Launching service level agreements
between the companies 2013

Launching the National Grid SA for
Electricity Transmission 2012

Restructuring the Saudi Electricity Company 2012

Forming a team to apply
restructuring regulations 2011

The Most Important Achievements of the Restructuring Program

* The most important achievements of the Saudi Electricity Company

- Completing the preparation of the company's organizational structure obtaining the Company's Board of Directors' approval.
- Creating two new activities; engineering and project activity, and supplying and servicing of contracts activity.
- Creating new segments; regulatory affairs sector, performance monitoring, and planning of the electrical system sector, new sector partnerships, energy agreements, and ultra-voltage network projects sector.
- Appointing deputies for activities and heads of the new sectors.
- Updating automated systems including Nebras program (ERP).
- Transferring staff and other resources.
- Developing service level agreements to regulate the services provided by the Saudi Electricity Company to subsidiaries.

Launching the new structure work on 1/1/2012

* The most important achievements of the National Grid SA

- Completing procedures for the establishment of the National Grid SA.
- Appointing members of the Board of Directors.
- Appointing a Chief Executive Officer of the company.
- Finalizing the company's organizational structure and getting it approved by the Board of Directors.
- Appointing the executive management of the company.
- Updating the automated systems.
- Housing staff in the new structure.
- Preparing and adopting the guide of the National Grid SA.
- Working with the Electricity and Cogeneration Regulatory Authority to transfer the electricity transmission license granted to the Saudi Electricity Company to the National Grid SA.

Starting work at the National Grid SA on 1/1/2012





Taking Care of Our Shares

Taking Care of Our Shares

The Saudi Electricity Company is always keen to communicate effectively with the sectors related to the financial market and exchange information related to the company with investors and financial and investment institutions.

The company is committed to applying guiding provisions stated in the list of the government companies. It believes especially in the ones regarding the rights of shareholders, the instructions and procedures related to disclosure and transparency, and matching their internal systems with the financial market system and its implementing regulations.

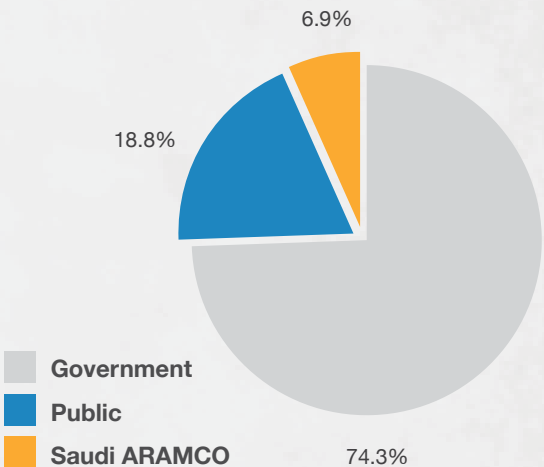
The most prominent achievements and services provided to shareholders in 2012 were

- Issuing 95% of the total amount of shareholders' dividends.
- Applying the electronic forms system required from the Financial Market Authority in the third quarter before it was requested of companies listed on the market on 1/1/2013
- Publishing the company's share performance reports (monthly, semi-annual and annual) on the website of the company
- Publishing all company announcements posted regarding the trading and information of interest of the shareholders and investors on the company's website.
- Notifying senior and executive management about any time bans on dealings and financial documents by SMS instead of letters.
- Securing automated systems to keep pace with technological advances and the provision of electronic services for shareholders. The use of advanced automated systems consistent with the rules and regulations, the instructions of the Ministry of Trade and Industry, the Capital Market Authority and Financial Market Saudi Arabia (Tadawul), included the following:
 - * Holding the meeting of the general assemblies.
 - * Shareholders' information.
 - * Stock performance reports.
 - * Electronic archiving and indexing of shareholders' files to facilitate general assembly meetings, process data, extract reports and file data.

Distribution of the company's capital

The government's share	3,096,175,320
Saudi Aramco Company	288,630,420
Public	781,788,075
Total	4,166,593,815

Relative distribution of the company's capital by the end of 2012



Performance of the company's shares

At the end of 2012, the general index of the Saudi financial market (Tadawul) closed at 6,801.22 points, compared with 6,417.73 points at the end 2011, achieving a rise of 383.49 points at a rate of 5.98%. The index achieved its highest closing point during the year on April 3, closing at 7,930.58 points.

The Energy and Utilities sector index closed at 4,790.15 points compared to 4,976.27 points at the end of 2011, falling 186.12 points (3.74%).

The company's shares closed at the end of 2012 at SAR 13.40, compared to SAR 13.90 at the end of 2011 (down by 3.60%).

Announcement	2011	2012	Percentage (%)
Energy and Utilities Sector Index	4,976.27	4,790.15	(3.74%)
Company's trade shares	879,653,388	1,165,801,345	24.54%
Value of shares traded	12,114,080,171.45	16,654,711,393.55	37.48%
Number of transactions	163,405	168,137	2.9%
Highest value per share	15.05	16.60	10.3%
Lowest value per share	12.05	12.80	6.22%
Closing price per share	13.90	13.40	(3.60%)

The company's trade shares rose by 24.54% (879,653,388) in 2011 to 1,165,801,345 in 2012.

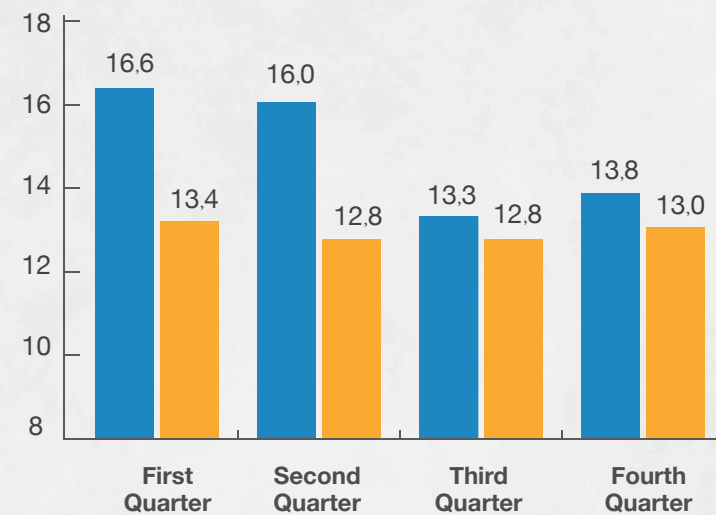
The value of shares traded increased by 37.48%, from 12,114,080,171.45 in 2011 to 16,654,711,393.55 in 2012.

The number of transactions increased by 2.9%, from 163,405 in 2011 to 168,137 in 2012.

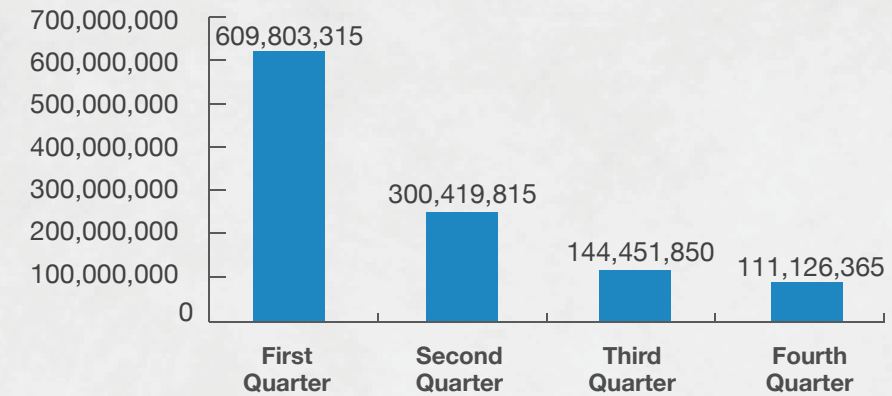
The highest value per share was SAR 15.05 in 2011 compared to SAR 16.60 in 2012.

The lowest value per share was 12.05 SAR in 2011 compared to 12.80 SAR in 2012.

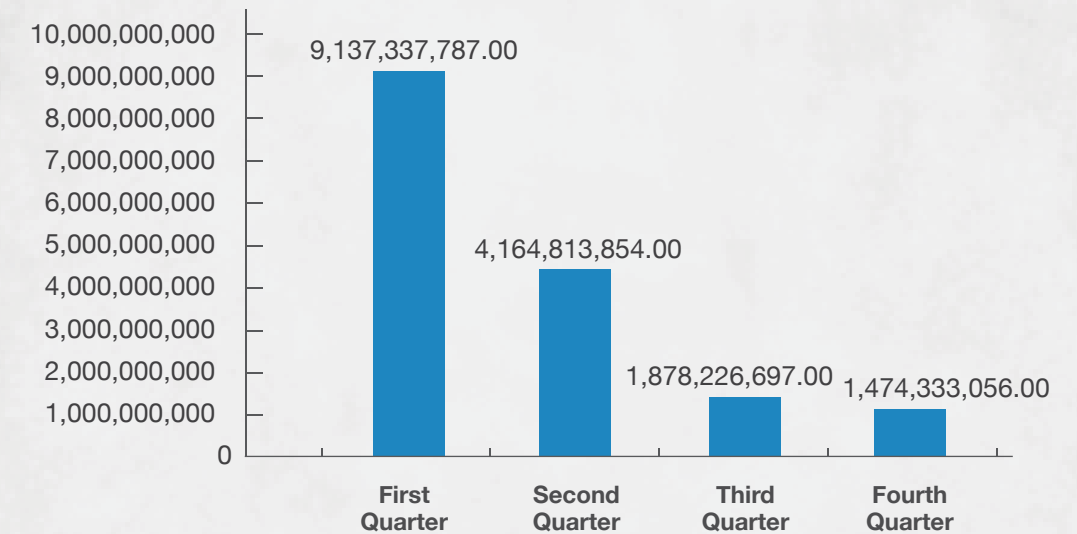
The highest and lowest value of the company's shares per quarter in 2012



Volume of the company's shares per quarter in 2012



Value of the company's shares traded per quarter in 2012



Events and Achievements, 2012

• January

- Awajji signs a contract of SAR 678.5 million for the installation of 6 generating units at Valley of Dawasr, Sharurah, and Najran stations.
- The company holds the fifth forum for running and maintaining the power plants.
- The company signs four contracts worth SAR 357 million to create 4 transmission substations in Mecca, Najran, Tahthleth, and Sharurah.

• February

- The Fifteenth Forum for Quality opens.
- Board of Directors approves the appointment of Dr. Saleh bin Hussein Al-Awajji, Chairman of the Board, and Mr. Sulaiman bin Abdullah Alkadi as deputy.
- Board of Directors recommends the distribution of 70 halala dividends to the shareholders.

• March

- The company participates in the fourth Career Day at King Saud University.

• April

- The company signs contracts worth SAR 754 million to create transmission substations in Riyadh and Qassim Province and connect them to the electricity network.
- The company organizes an employment fair for graduates of British universities. The company succeeds in the issuance of international bonds worth \$ 1.75 billion.

• May

- The company organizes the third annual forum assessing technical performance indicators and operational efforts to generate activity in 2011.
- The president reviews the investment opportunities in the electricity sectors in Singapore.
- The company celebrates the graduation of 623 trainees from its training institutes.
- Economics and Business magazine ranks Saudi Electricity Company eighth among the 500 largest companies in terms of capital.
- An economics newspaper ranks the company third on a list of the largest 100 Saudi Companies for 2012.
- The company signs a contract for the construction of power station number 12 in Riyadh at a cost of SAR 4.7 billion.
- Forbes magazine chooses the Saudi Electricity Company the fourth-largest company in the Middle East for the outstanding financial performance by which it maintained its profit and asset quality.
- The company approves the program "safety incentives", allocating SAR 105,000 for the people who are distinguished in the field of safety.

• June

- The "Mead" grant is awarded to the company's tenth power station for being the best project in 2012.
- The company signs a contract worth SAR 773 million to build two transmission substations in Al-Hassa and Mahayel Asir.
- Generating station Hail is expanded to reach a capacity of 400 MW.

• July

- An electricity app for iPhone devices is launched.
- The company achieves SAR 777 million in profits in its first 6 months.

• September

- The company signs 3 contracts worth SAR 700 million to build two transmission substations in Riyadh and Jeddah and to extend the cables in Riyadh.

• October

- The Chief Executive signs 5 contracts worth SAR 1,851 million to build transmission substations and transmission networks in a number of regions of the Kingdom.
- The Board of Directors approves the building of a steam power plant project at a cost of SAR 12 billion to generate 2,650 MW.
- The company organizes the fifth Safety and Environment Forum in 2012 in the East.

• November

- The company signs the contract to prepare technical specifications for the central and the western regions electrical lines linking projects.

• December

- The company wins first prize for applying the engineering documents at a competition organized by Bentley in the Dutch capital Amsterdam.
- The company receives Abha award for the year 1433 AH in the IT category.
- The company succeeds in entering all customers information into the security patrols communications center database in the Western region.
- The crew at Ghazlan station succeeds in fitting a private control room, saving the company SAR 1 million.
- The South facilities management is granted the ISO 9001 certificate in the field of quality systems.
- The company organizes the Fourth forum for Material Manufacturers Network Distribution.



Human Resources

Human Resources Activities in 2012

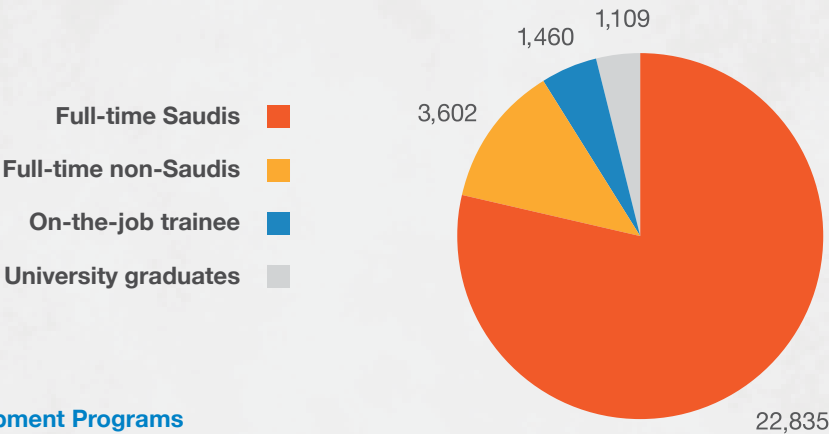
Job nationalization efforts

The company considers the development of human resources the basis of its development and the growth of its business. Hence the company is keen to develop human resources through specialized programs, mapping out their career paths, including raising, and ensuring their competence to take on all positions in the company.

In 2012, 1,190 graduates from the company's training institutes joined the team, bringing the number of on-the-job trainees at the end of the year to 1,460. Some 761 university graduates were employed and placed in the professional development program, bringing the number of university graduate trainees to 1,109 by the end of 2012.

These efforts resulted in significant growth in the field of localizing the jobs, boosting Saudization percentage by the end of 2012 to 87.58% of the total workforce's 29,006 employees. In recognition of its outstanding efforts in the field of attracting, recruiting, and training Saudis, the company received several shields, prizes, and certificates of appreciation for its prominent role in this area.

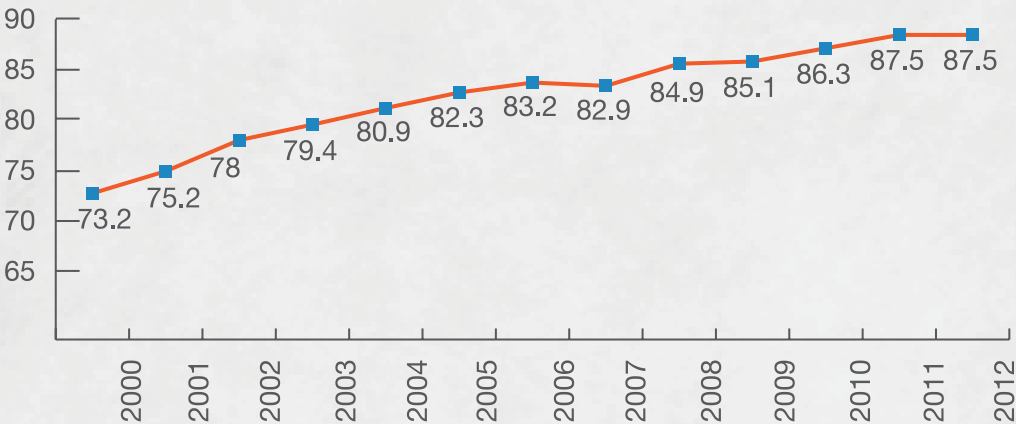
Classification of human resources at the end 2012



Training and Development Programs On the Job Training Program

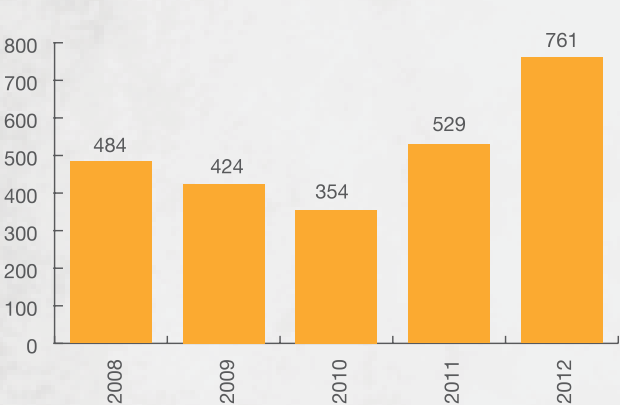
This is a complementary development program to train non full-time registrants during which the trainee acquires the ability to perform specific tasks in a real work environment. It is implemented in the workplace by the beneficiary (department) under the supervision of trained management specialists and follow-up training management.

In 2012, 1,190 graduates of the company's Institutes were employed and enrolled in the On-the-Job Training Program. The total number of the On-the-Job trainees was 1,460 by the end of the year.

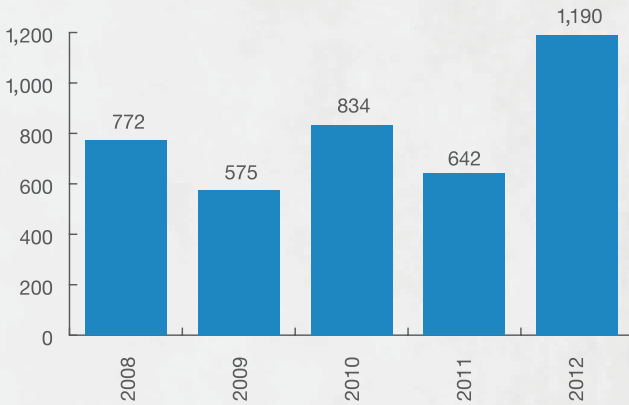


Professional Development Program

This 24-month program aims at accelerating the empowerment of recent university graduates through work assignments specific to targeted positions. In 2012, 761 university graduates were employed and placed in the Professional Development Program, bringing the total number enrolled by the end of the program year to 1,109.



Participants in the Professional Development Program



Participants in the On-the-Job Training Program

Experience Development Program

This program is tailored for university graduate employees and aims at preparing national competencies capable of performing technical and administrative work. Participants are trained to keep up with technological developments in the electric power industry, in addition to achieving self-sufficiency in the workforce through their highly developed skills. The number of participants in this program was 130 in 2012, and new participants are added every year depending on the future needs of the company.

Leadership Program

This program aims at developing the skills of employees who are currently holding leadership positions and candidates for leading positions (department head and higher). It also works to prepare suitable substitutes to fill leading positions, so that every position will have a readily available substitute, both on a short- and long-term basis. There is no time limit for the program. Developmental plans are set and measuring centers are utilized. In 2012, the number of participants in this program was 1,729. Developmental plans are reviewed and revised according to the actual needs, and new participants are added every year.

Promising Leaders Program

This program aims at preparing promising leaders in general, and achieving sustainable human resources development in the company by readying qualified leaders to lead the company in the future. It seeks to identify remarkable employees who have high leadership capabilities. These skills will be developed through organized developmental programs designed to prepare them to fill leading positions in the company. By the end of 2012, the number of participants in this program was 53; additional attendees are signed on annually.

Computer Assisted Learning “I-Learn”

I-Learn is an interactive website utilizing the most advanced technologies to provide an ideal environment for electronic training. Specially designed to promote self-development among employees, it comprises different training courses covering various disciplines (computer, technical, and administrative) to enable employees to perform their assigned tasks efficiently and effectively.

Through the “I-Learn” site, users can get the training courses they need using their own PC duly linked to the website. Audiovisual technology is applied in these courses. In 2012, the number of interactions was 4,279, of which 1,163 employees made use.

Supported Training

This developmental program targets the company’s national workforce to strengthen their skills related to the nature of their current or targeted jobs. It serves as a tool to develop their efficiency and improve their performance level. Courses are given outside the company’s official working hours and conducted at company-accredited training companies. The company pays 80% of the total training costs.

Short Courses

In addition to the above-mentioned training courses, many other short courses were held aiming to develop employee skills. In 2012, 35,455 participated in these courses.

Leadership in Total Quality

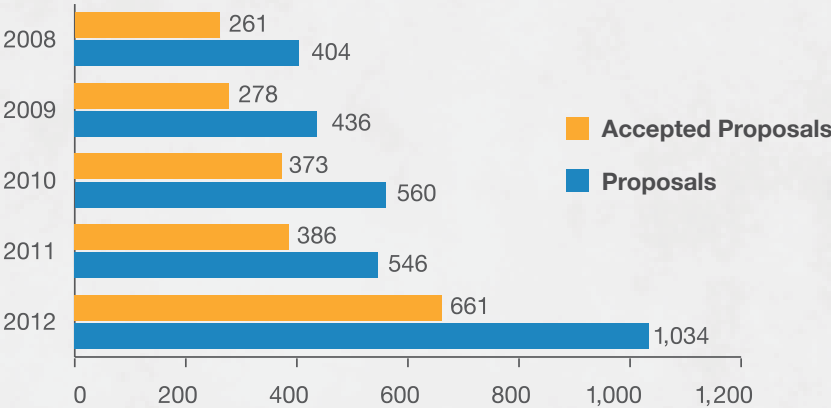
The company continued applying total quality programs with the aim of improving its major operations and upgrading their efficiency levels while decreasing their costs, as well as promoting the quality of the services provided to internal and external customers. Furthermore, the company completed preparations for the fifteenth meeting of the total quality management convention in Riyadh under the slogan “Towards Organizational Excellence.” A total of 11 employment contracts were given at the event in which companies, world-class speakers, and over 780 people participated. An accompanying exhibition was held to display outstanding creative ideas.

Improvement Program

The Improvement Program is one of the pioneering development programs applied by the company. It aims at enhancing the operations falling within the scope of each administrative unit in the company. Operations are studied by a team of select employees from within the department and recommendations for improvement are made. These are later approved and applied. The application of this program results in a sharp drop in direct expenditures and less work time required to complete procedures. Since its very beginning and until the end of 2012, this program has achieved remarkable results with improvement teams reaching a total of 140 and the percentage of implemented improvement recommendations 91%.

Employees’ Innovation Program

This program encourages company employees to initiate innovation and creativity with the purpose of upgrading performance effectiveness, safety, productivity, and customer services. The program further endeavors to improve the procedures and develop the use of equipment, facilities, and utilities. It also aims at encouraging the employees to contribute new ideas which can help raise the operational effectiveness, reduce cost, and increase revenues. The program targets all administrative-level employees below department manager. The results of the program indicate that the number of proposals by the end of 2012 was 1,034, of which 661 were approved, and 191 were applied at the rate of 69% of the total approved proposals. The innovative ideas yielded the company a savings of about SAR 142 million.

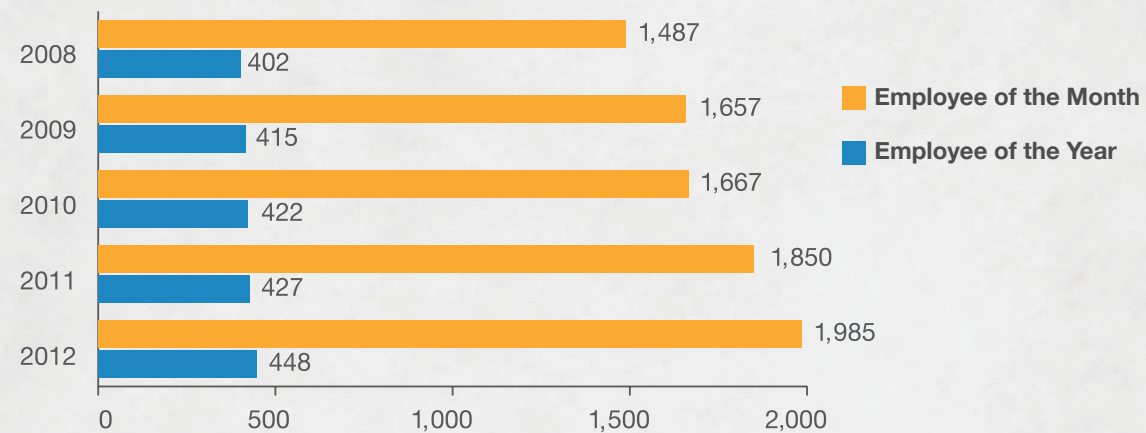


Outstanding Employees Program

The company began applying the Outstanding Employees Program across its branches in 2005. It consists of two sub-programs:

- Monthly Excellence Program (Employee of the Month).
- Yearly Excellence Program (Employee of the Year).

The purpose is to encourage employees to distinguish themselves through excellent performance; assessing, and then rewarding them. It further aims at creating a positive competitive atmosphere among company employees targeting all non-supervising employees. By the end of 2012, the number of distinguished employees for the monthly program was 1,985 employees and 448 for the yearly program.



Motivation and Loyalty Promotion Employee Housing Loans

The company adopted a program of awarding housing loans to Saudi employees through local banks according to legal regulations, and standards have been developed to fairly determine the priority benefit of the program. The program entails:

- Providing an opportunity to own a residential house (villa/duplex/apartment) or building on land owned by the employee, or the financing of a partially built house owned by the employee.
- Financing up to SAR 1,200,000, according to regulations.
- Repayment period of up to 20 years, so that it does not exceed the number of years remaining to reach the normal retirement age of the employee 60 Hijri year.
- The company contributes with 70% of the cost, and the company's contribution is discontinued in the event of termination of service of an employee for any reason.
- In 2012, 311 employees benefitted from the program.

Community Service

The company has made remarkable efforts in the area of community service, including:

- Participating in Career Days hosted by a number of universities in the Kingdom to actively brand the company, discuss the career opportunities available, and give participants the opportunity to join the team. This year the company participated in 10 such events at a variety of institutions.
- Contributing toward the success of cooperative training programs for university students in different stages, giving them the opportunity for practical training with various company facilities, and equipping them with appropriate practical experience both in the field of technical or administrative duties. In 2012, the number of participants in the program reached 778 students, 275 of whom were unpaid.
- Offering summer training programs to a number of high school students to work part-time in return for a monthly remuneration. The number of participants in this program was 493 students in 2012.

In conclusion, we emphasize that the company fully believes in the need for development and change in light of ongoing review, evaluating performance to adapt to developments. We believe we have what it takes to achieve this flexibility and expertise.





Electric Power Generation

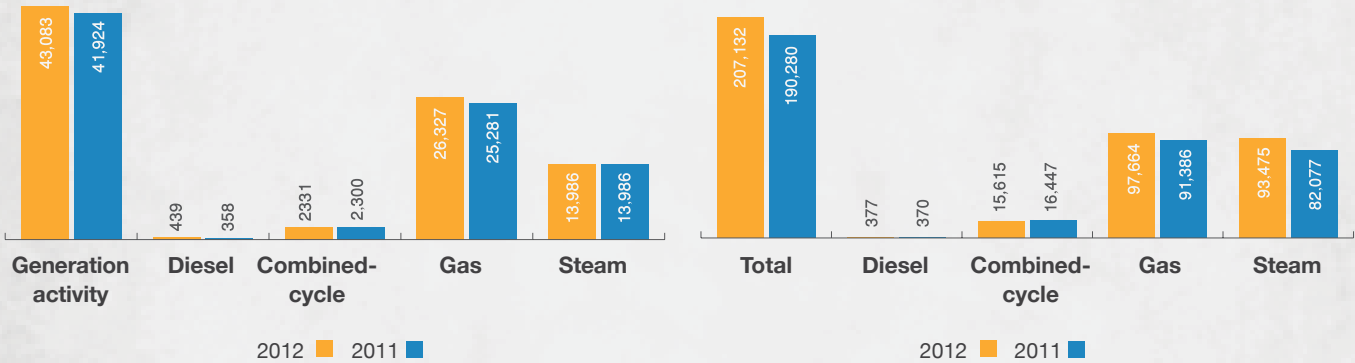
Electric Power Generation

The total power generated by the company during 2012 was approximately 207,132 GW hours, a 8.8% increase compared to 2011. There was also an increase in load amounting to 51,939 MW, equivalent to a rate of 7.4% over the previous year. The company

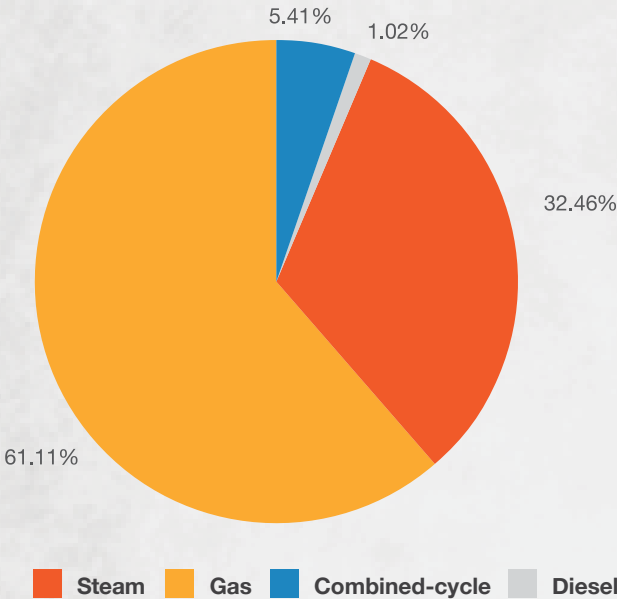
has handled this increase in load by boosting the combined-cycle capacities to 44,371 MW, equivalent to a rate of 5.7% by the end of 2012.

Actual generating capacity by type of unit (MW)

Energy produced from plants by type of company units (GWH)



Relative distribution of the capacity of the company's generating units in 2012

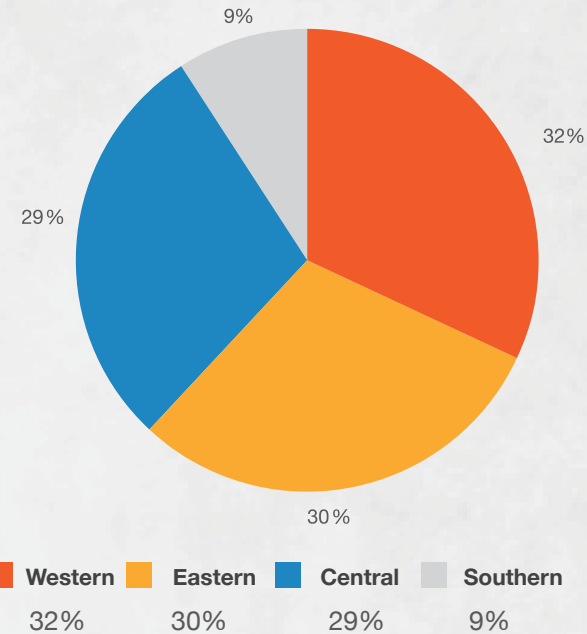


Our generation activity data also recorded a marked improvement in terms of performance. Most notable are the high thermal efficiency of the majority of our generation units and reducing the duration of the planned maintenance work, where the scored equivalent coefficient of availability was 87.6%, an increase of 1.4% over 2011.

Technical Performance Indicators on the Activity Level

When comparing the performance indicators on activity level for the years 2011 and 2012, we find that the coefficient of availability, the weighted equivalent (WEAF) increased in 2012 where the coefficient documented 87.6% compared to 86.4% for 2011.

Relative distribution of the company's total available capacity in 2012



As a result of a decrease in the Weighted Equivalent Planned Outage Factor (WEPOF) in 2012 where the coefficient documented 7.8% compared to 8.7% for 2011, the coefficient of the Weighted Equivalent Maintenance Outage Factor (WEMOF) dropped as well in 2012, 1.7% compared to 2.3% in 2011. In spite of the relatively high increase in the Weighted Equivalent Forced Outage Rate (WEFOR) in 2012, it totalled 4.6% compared to the average 4.3% for 2011.

Technical Performance Indicators by Generating Technologies

Steam Units (ST)

Comparing the performance indicators of the steam units’ activity levels in 2011 and 2012, we find that the WEAf increased in 2012, recording 85.5% as compared with 84.5% in 2011. This was a result of the decrease in the WEPOF in 2012, recording 11.1% as compared with 13.6% in 2011. This in spite of the relatively limited increase in the Weighted Equivalent Forced Outage Rate (WEFOR) in 2012, which recorded 2.8% compared to 1.2% in 2011.

Combined-Cycle Units (CC)

Comparing the performance indicators of the combined-cycle units’ activity levels in 2011 and 2012, we found that the WEAf decreased in 2012 recording 84.9% as compared with 88.1% in 2011. This was a result of the increase in the WEPOF in 2012 recording 12.3% as compared with 7.4% in 2011 in spite of the relatively limited decrease in the Weighted Equivalent Forced Outage Rate (WEFOR) in 2012, as it recorded 2.2% compared with 2.5% in 2011.

Gas Units (GT)

Comparing the performance indicators of the gas units’ activity levels in 2011 and 2012, we find that the WEAf increased in 2012, recording 88.7% as compared with 87.0% in 2011. This was a result of the decrease in the WEPOF in 2012, recording 6.0% as compared with 6.7% in 2011. Furthermore, the Weighted Equivalent Maintenance Outage Factor (WEMOF) decreased in 2012 reaching 2.0% as compared with 2.8% in 2011 in spite of the relatively limited increase in the Weighted Equivalent Forced Outage Rate (WEFOR) in 2012, as it recorded 6.3% compared with 6.7% in 2011.

Thermal Average (BTU/KWH)

The BTU/KWH (BTU = British Thermal Unit, KWH = Kilowatt Hour) of the generation activity decreased to 10,451.83 BTU/KWH in 2012 as compared with 10,585 BTU/KWH in 2011.

Objectives of the 2012 Maintenance Program

The total number of comprehensive maintenance processes was 101 as compared with the 95 planned maintenance processes, which is 6.3% less than the projected plan. The medium maintenance processes were 107 as compared with 104 planned maintenance processes or 2.9% over the planned number.

As for the light maintenance processes, there were 241 as compared with 275 planned processes, that is 12.4% less than the plan.

Generation Projects During 2012

Central Sector

8 gas-generating units with a total capacity of 472 MW in Power Plant 10 station.

8 gas-generating units with a total capacity of 472 MW in Al-Qassim station.

4 gas-generating units with a total capacity of 252 MW ahead of schedule in Hail's second station.

Western Sector

2 gas-generating units with a total capacity (124 MW) in Tabuk station.

Eastern Sector

3 gas-generating units with a total capacity of 381 MW in the combined-cycle in Qurayyah station.

2 gas-generating units with a total capacity of 140 MW in Qurayyat generating station.

2 gas-generating units with a total capacity of 138 MW in Rafha generating station.

1 gas-generating unit with a total capacity of 60 MW in Al-Jouf generating station.

Generation Projects

The company is continually improving the efficiency of the electrical system in all fields, the most important being its electric power-generation projects.

As part of its electrical system plan for the coming ten years, the company is working on improving the efficiency of existing power plants as well those of future power plants. The plan includes converting gas power plants to a combined-cycle system, the benefits of which are:

- Increasing the generating capacity in these plants by 50% without adding fuel, thus cutting down the proportion of emissions from burning fuel. This has a positive impact on reducing air pollution and preserving the environment.
- Increasing the thermal efficiency of the plants that run on crude oil from about 28% to about 44% and stations that run on gas fuel to 54%, after conversion to a combined-cycle.
- Using the supercritical boiler technology. The high efficiency of this technology reduces fuel consumption compared to conventional (Subcritical) boilers. This technology will be used in all future boiler project stations.

Over the next ten years the company plans to add 27,768 MW. It is expected to save 44 million barrels a year by converting invasive plants to combined-cycle and the use of supercritical technology.

Generation Projects in 2012

The total number of generation projects under implementation during 2012 was 15 projects as follows:

- 13 projects to create new plants and expansions of total capacity (11,200 MW) at a total cost of SAR 50,711 million
- Transmission lines for fuel projects at a total cost of SAR 577 million.

Generation Projects that Entered Service in 2012

The total number of generation projects which entered service in 2012 were 2,039 MW as follows:

Sector	Generating Station	Number of Units	MW Capacity
Central	Power Plant 10	8	472
	Al-Qassim	8	472
	Hail	4	252
Western	Tabouk	2	124
Eastern	Al-Markabah Village	3	381
	Al-Qurayyat	2	140
	Rafha	2	138
	Al-Jouf	1	60
Total		30	2.039

Generation Projects Contracts Signed in 2012

- Eight projects with a total value of SAR 18,025 million
- Seven contracts for consulting services with a total value of SAR 466.

Planned Generation Projects until 2021

The total generation projects that the company will create until 2021 27,768 MW are as follows:

- Steam stations projects: (20,400 MW).
- New combined-cycle plants projects: (3,600 MW).
- Conversion projects (10) to combined-cycle plants:(3,768 MW).



National Grid SA

In 2011 the Board of Directors of Saudi Electricity Company decided to convert the activities of generation, transmission, and distribution into subcompanies (4 generation companies, a transmission company, and a distribution company) fully owned by the Saudi Electricity Company. On 1/1/2012 the National Grid SA launched its new organizational structure, which includes 6 main activities: activity of operations and control activity, maintenance activity, planning activity, engineering activity, entrepreneurial activity, technical services activity in addition to the three central departments which are regulatory affairs management, financial management, and business management support. The board of directors of the National Grid SA comprise 6 members: Dr. Fahad bin Saleh Al-Sultan (Chairman of the Board), Engineer Saad Hamad Mansour (Vice-president), Engineer Mohammad Awied Juaid (Member), Professor Ahmed Mohammed Al-Jugaiman (Member), Engineer Walid Abdullah Romaih (Member), and Dr. Saleh Abdul Rahman Al-Olayan (Member).

The company attaches great importance to the operation and maintenance of the operation and maintenance of the 110/380 KV transmission networks, guaranteeing reliability and high stability to ensure the delivery of electric power to the loads centers in all parts of the Kingdom of Saudi Arabia. The tasks and responsibilities include enhancing the transmission substations and electrical grid for high voltage 110/132 KV. This process is carried out over multiple phases including planning, design, and implementation of the projects, taking into account the continuity of the development programs and processes in various technical and administrative areas.

The company's mission focuses on operating the electrical system, transferring electrical energy from production sites to consumption centers and studying the loads expectations. It emphasizes developing plans to enhance the electricity system to meet the expected loads, in addition to communicating with key participants and determining their consumption needs.

The company is also in coordination with independent producers to sign purchase and energy exchange agreements that represent the company as a main buyer of the independent producers.

The plans and objectives of the transmission company are dedicated to the promotion of electricity supply, reducing costs, and moving ahead with the completion of the national electric network. Working toward these goals, the company in 2012 completed a number of serious projects in addition to enhancing existing projects aimed at improving and developing transmission networks. The following is a review of the most important achievements of the transmission company:

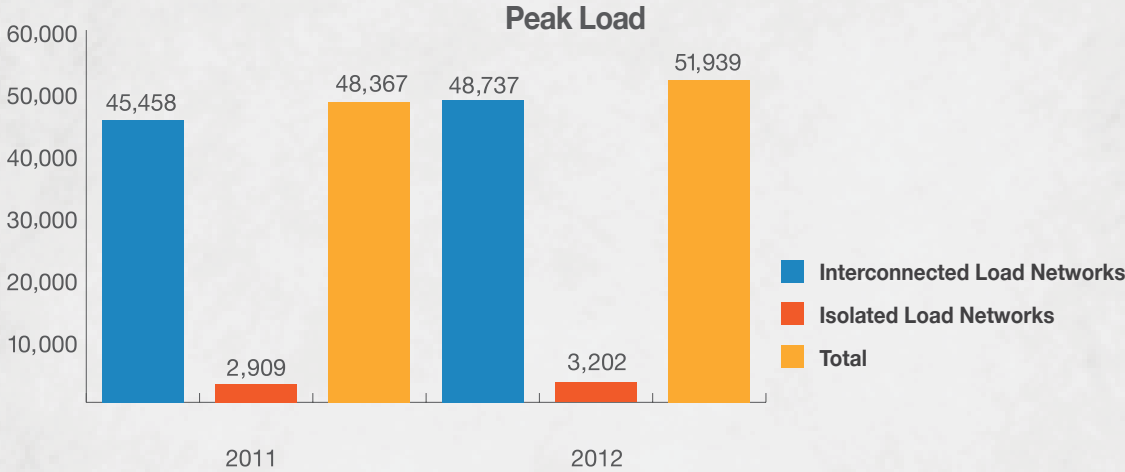
The lengths of electrical transmission networks grew by 2.3% (51,881 km circular)

The company launched a number of new projects, and also strengthened the existing projects aiming for improvement and development of power transmission networks and increasing their operational efficiency. A total of 30 substations were added as well as 4 electric breaker stations. 94 new transmission substations were added and 9 transformers to current transmission substations with a total capacity of 12,122 MVA. Transmission networks measuring about 1,182 km circular have also been added.

The total number of ultra high voltage transmission substations reached 660 and 1,869 transformers with a total number of hours 185,243 MVA. The total length of power transmission networks rose to 51,881 km circular.

The Best of Our Work

The National Grid SA works on a regular basis to improve and develop transport networks 110/380 KV in all sectors of the Saudi Electricity Company (central, East, West and South). The company aims to raise the readiness of the network and ensure the continuity of its reliability. The company also gives great importance to the pilgrimage season each year, working to avoid any electrical interruptions in the holy sites that could affect the pilgrims. This is achieved by advanced planning of the maintenance and forecasting workloads in addition to processing and fully preparing for any emergency well in advance.



The total peak load of the Kingdom during 2012 reached 51,939 MW with a growth of 7.4% for the year 2011. The load peak for each contribution of the interconnected as well as independent networks for 2012 and 2011 yielded a growth of 7.2% and 10.1%, respectively. Moreover, the maximum load of interconnected and independent networks reached 48,737 MW, and 3,202 MW, respectively, during the year 2012.

In 2012, a number of new projects were launched to improve, develop, and increase operational efficiency of power transmission networks. Among the most prominent of these are:

Ultra High Voltage Projects 230/380 KV

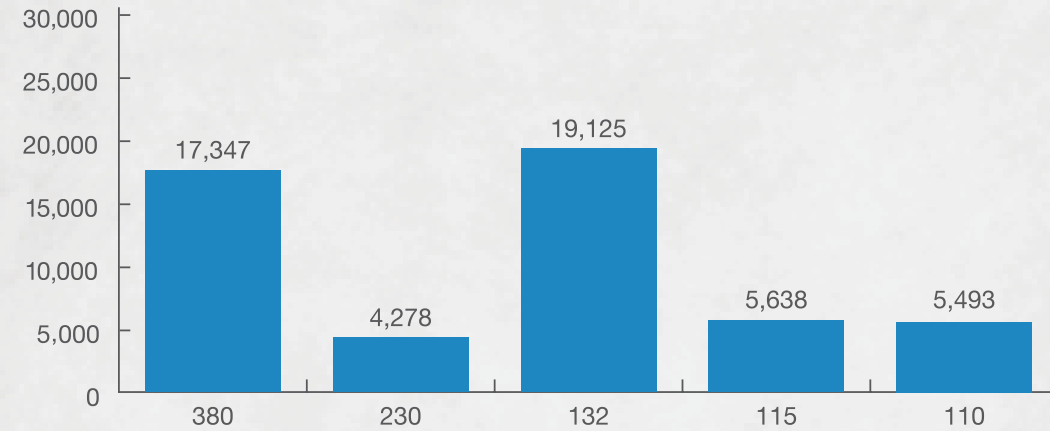
- Adding 8 transmission substations and electric breakers with 5 transformers, at a total capacity 1,772 MVA.
- Adding new overhead and underground cable networks measuring about 559.1 km circular.
- Enhancement of transmission substation efficiency with 8 transformers, which have a total capacity of 4,016 MVA.

High Voltage Projects 110/132 KV:

- Adding 26 new transmission substations and 79 transformers with a total capacity of 5,161 MVA.
- Adding new overhead and underground cable networks measuring about 622.9 km circular.
- Enhancement of existing transmission substations with 11 transformers, which have a total capacity of 1,173 MVA.

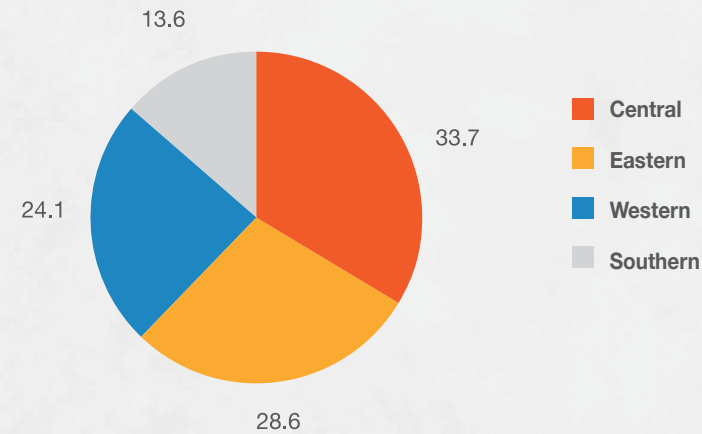
These projects reflect the growth in the power transmission grids by 2.3% to reach 51,881 km circular by the end of 2012, as compared to 2011.

Transmission Network Lengths



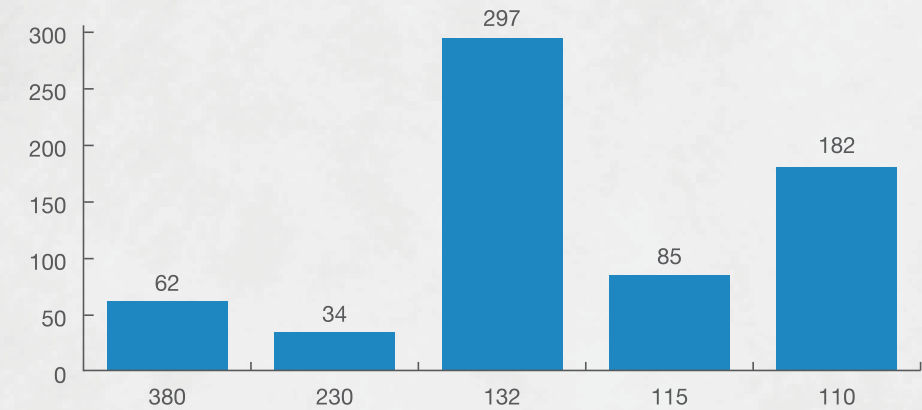
The network spreads across all sectors of the company and the Kingdom, where the relative distribution of power transmission networks comprises length ratios of 34%, 29%, 24%, 14% for the central, Eastern, Western, and Southern sectors respectively.

Relative Distribution of the Lengths of the Transmission Networks (110/380 KV) in 2012

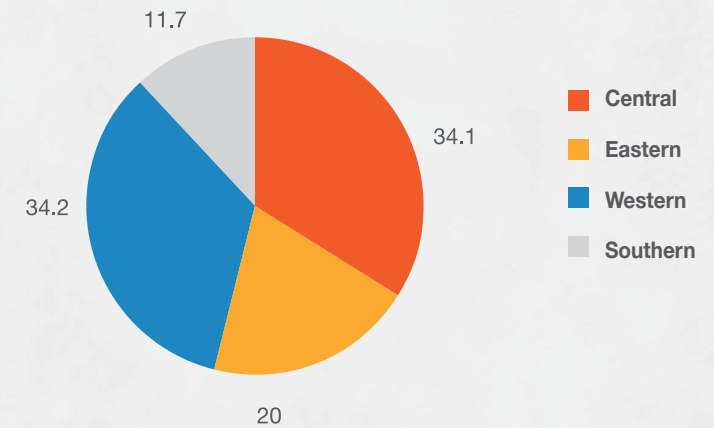


The electricity networks have also been improved to include 30 transmission substations and new electrical breaker, bringing the total number of substations by the end of 2012 to 660. The increase in 2011 was 4.8%, and this growth has led to boost the relative distribution of power transmission substations in the Central, Eastern, Western, and Southern sectors up to 34%, 20%, 34%, and 12% respectively.

Number of Power Transmission Substations



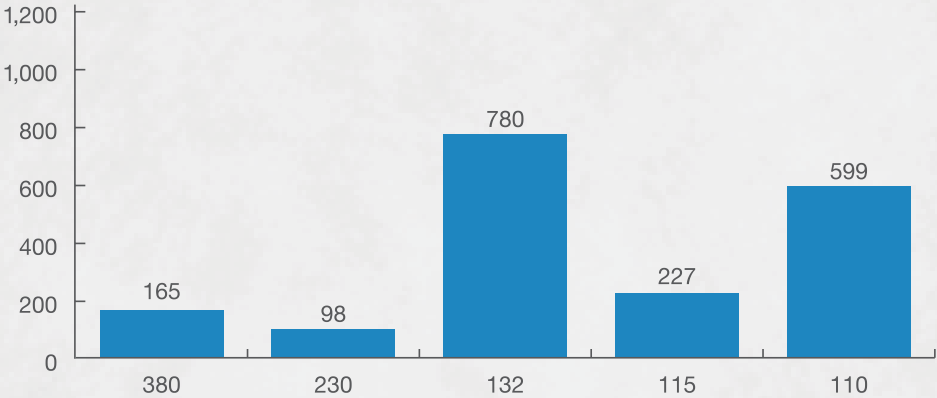
Relative Distribution of Power Transmission Substations in 2012



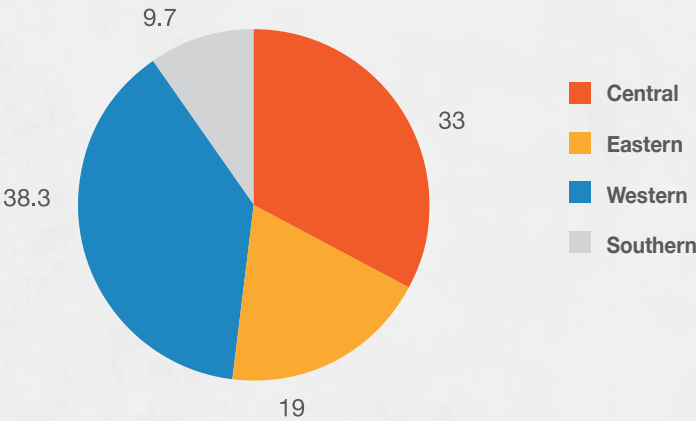
The growth percentage in the number of transformers reached 5.8% in 2012, bringing the number to 1,869 compared to 2011 and thus increasing the capacity of transmission transformers to 185,243 MVA at growth rate of 7.0% in 2012 and 2011.

As a result of this development in the energy transmission networks, by the end of 2012, the number of transmission transformers has reached 33%, 19%, 38%, 10% for the Central, Eastern, Western, and Southern sectors respectively. The relative distribution of transformer capacity has reached 33%, 27%, 31%, 10% according to the order of the company sectors.

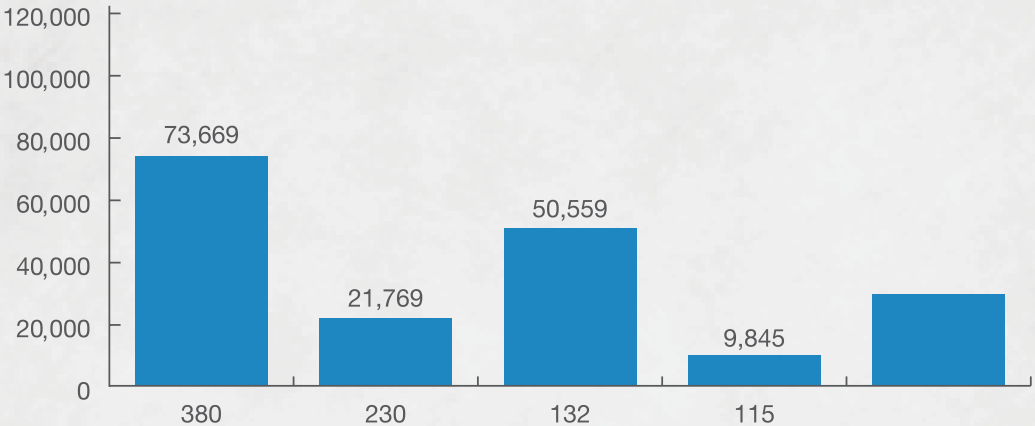
Number of Transmission Transformers



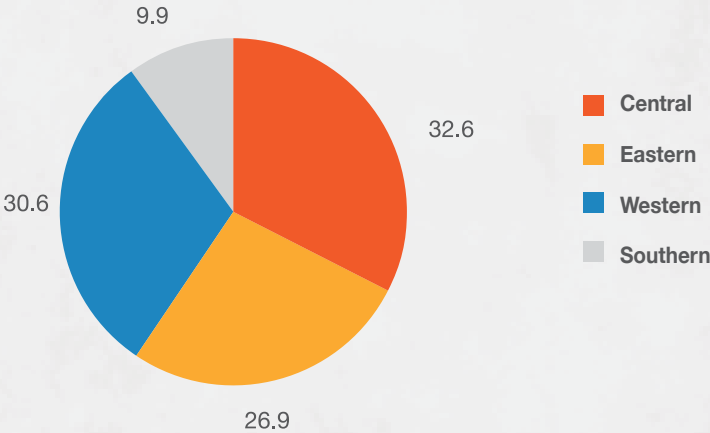
Relative Distribution of the Number of Transmission Transformers in 2012



Total Capacity of Power Transmission Substation Transformers



Relative Distribution of the Number of Power Transmission Transformer Capacities in 2012



The Most Important Work of the National Grid SA during 2012

During the transition phase the company faced challenges in many aspects. The most important was splitting the workforce between the activities of the National Grid SA and resettling them in their new positions of responsibility. The company successfully completed the redistribution of the staff across the departments of the holding company, in addition to separating and distributing the allocations of the responsibility centers of the operational budget in order to start up processes, exchange contracts, maintenance programs, materials, and trainings in addition to documentation of all tasks and responsibilities. Upon them, the design of the new organizational structure of the company was settled. The working relationship with the holding company was thus determined based on rental transportation assets and service level agreements. It is worth mentioning that most of those challenges have been completed while some of them were in the final stages.

Summer Preparations

The National Grid SA continued to develop electrical and peak load plans during the summer. It identified the requirements and needs of the electricity network of new projects, researching alternatives and existing options, developing plans and programs for implementation and follow-up, while continuing to perform preventive maintenance and rotating electric grid equipment. All of the above necessitated processing, preparing, unifying, and focusing our efforts to confront and meet the growing demand for electrical loads in the various regions of the Kingdom. The company's objectives in this area include inspecting the existing electrical projects, focusing on the technical problems that the electric grid faces and working on them in a timely manner.

Quality and Development

Aiming to upgrade operations, a central database has been established for the fiber-optic network to all parts of the Kingdom, and management information for an operating tests system has also been launched on the Intranet site. It was unveiled to be used in follow-up tests and all capital projects (transmission lines - transmission substations). This system allows access to automated daily and monthly reports as well as the extraction of vital statistics to help make appropriate decisions.

Broadband network modern technology has also been introduced for 28 prime sites, in addition to 512 sub-sites, on the company's business areas. This will increase the quality of the data transfer between the company's various systems and control centers.

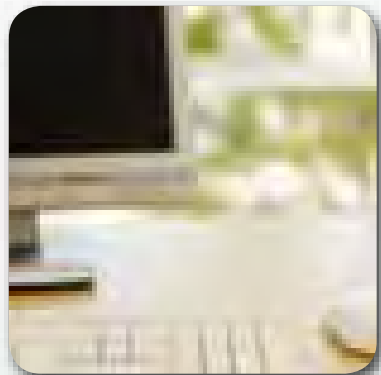
A Service Level Agreement (SLA) project has been launched aimed at developing the relationship between service providers and customers. The initiative relies heavily on transparency and the extent of cooperation and constructive criticism between the service providers and the client. Consequently, the former mechanisms have been adapted through the implementation of automated systems. It is also important to mention the formation of working groups to support and to service beneficiaries, set up systems for the planning, and implementation of demand and billing and performance monitoring. The automated system will begin service in 2013.

Human Resources Development

The National Grid SA continues to work on development of human resource leadership and managerial competencies pertaining to supervisory positions and evaluating their skills, in addition to the development of financial skills through participating in specialized programs designed by the Saudi Electricity Company. The company also increased the number of candidates participating in the expert program and designing the technical training programs suitable for each trainee both domestically and with international companies. There is also an expert program from which the company seeks to adopt administrative leaders that will face the challenges of the future.

To achieve the company's objectives of creating a stimulating work environment for its employees, the company has worked, through its representatives in the standards performance team, on continuing to develop the automated performance management standards system. Staff goal and development plans have been set for 2013, as well as performance enhancement in 2012 through an automated system that is more unique and developed than previous years. In terms of stimulating the staff to participate in conferences, seminars, and workshops within and outside the Kingdom, the company has supported 202 participants, facilitating their work papers.





Distribution and Customer Services

Distribution & Customer Services

Serving the Two Holy Mosques and the Holy Places

1. As part of the implementation of the first phase of the expansion project of Al-Haram Al-Sharif by King Abdullah, 40 MVA load for air-conditioning the track and 16 MVA load to expand the track have been provided.
2. Accomplishing the operational plan for Umrah and Hajj seasons for the year 1433 AH.
3. Operating the two distribution substations in Al-shamiya, (1 + 2) to enhance network by synchronizing service with the central area and the royal palaces. Furthermore, the full loads of the distribution substation of Al-Haram (1) were transported and removed for their conflict with the Custodian of the Two Holy Mosques expansion project of the North squares of the Al-Haram Al-Sharif.
4. Determining the requirements of King Abdullah's project to populate Mecca.
5. Removing a large number of network elements conflicting with some of the existing development projects in Mecca, including: 4th ring road project, the project of King Abd Elaziz Elmowazy, Al- Khansah project, and Al-Haramain train project. The removal of 4,879 subscriptions and 137 distribution substations will also be accomplished.
6. Verifying subscriptions of pilgrims and guests to ensure that the meters and the related parts are of high quality.

Customer Service

As part of our efforts to develop the services provided to customers, awareness workshops were held to discuss current electricity services, which 350 employees attended. We expanded our electronic services to our valued customers such as SMS service. Water and electricity bill customers were linked to the mobile SMS service. By the end of 2012 the total number of subscribers to SMS service was 2,069,435 while sent messages reached 39,559,801 messages as of 31/12/2012.

In addition, the E-Bill service, by which the electric power consumption bills are sent to the email addresses of customers who subscribed to this service, was also expanded. The total number of subscribers to this service was approximately 238,982 and the total emailed messages concerning E-Bills was 12,495,177.

In terms of bills, the company this year inaugurated a supporting program for the payment of electricity bills for beneficiaries under social welfare. The supporting systems to bring this program to success were configured and in this regard we obtained the consent of the Ministry of Islamic Affairs to approve a total of 3,826 non-government mosques for the payment of their debts amounting to 9,794,657 and for them to be added to the group of registered mosques with the government.

Network Performance Improvement

In 2012, all praise and thanks to Allah the Exalted, the following achievements were realized

1. As part of the campaign undertaken by the company to reduce crashes among the customers' meters and energy losses, 5,668 meters have been changed. In other efforts to reduce losses, more than 67,407 meters have been examined and maintained.
2. Reliability devices of the networks have been installed for networks which continue to suffer from low voltage and frequent interruptions. The company has supported rapid restoration programs in case of service interruptions by using mobile generators to power distribution networks and activating the use of flexible cables for medium voltage and mobile units. These efforts have contributed to the speed of restoring electricity to those affected in cities and villages all over the Kingdom. To aid the expansion of this project, the company has decided that the project will secure 40 new generators to be used in restoring power to customers during breaks.

3. To aid the expansion and enhancement of the electric distribution system, a package of products has been implemented worth more than SAR 7,047 million, including the extension of networks measuring over 29,000 km and the installation of over 29,000 distribution transformers with capabilities of 10,000 MVA. The electrical service was delivered to 414,000 customers.

Performance Development

Within the framework of developing skills of new employees, a contract to train 154 front-line employees was signed during 2012. Some 300 employees were also signed on the standard contract while they were working on a fixed-term contract.

Automated Systems

Customers' Systems

A number of systems were developed and applied as follows:

1- Bill Automation

As a result of the company's efforts to develop automated systems and apply them across various departments, the work on the billing project (SAP) was started, slated to be completed by the end of 2013.

2- Electronic Applications

The Saudi Electricity Company's iPhone and Android app was completed and launched.

3- Standardized Checking System

Installation of the standardized reading system was completed in the South sector and work is under way for it to be available across all sectors, with the insurance of the reading devices for the Central, Eastern, and Western sectors.

4- Service Termination Notice for Customers

A program was completed to notify customers of services termination via programmed and non-programmed SMS.

Distribution System: This system had been developed and applied on a number of systems as follows:

1- Standardized Distribution System.

A standardized distribution system was applied across all sectors of the major cities. Application in some of the small offices will be completed by third quarter of 2013.

2- Field Teams Management System

This is a system for automated tracking of field teams, which was applied in Riyadh, Jeddah, Mecca, and Madina. Furthermore, other contracts were written to apply the system in Hofuf, Jubail, and Abha, which are scheduled to be completed during 2013. Projects of this system will be started in Al-Qassim, Hail, Taif, and Tabuk during the first quarter of 2013. The remainder will be taken into consideration from the Eastern and central sector offices in the second half of 2013.

3- Geographic Information System

This system was applied in Mecca, Jeddah, Madina, Taif, and Tabuk. Other projects of this system are currently being executed in Riyadh, Abha, Hofuf, Jubail, Al-Qassim, and Hail, and are expected to be completed by the end of 2013. A contract was also signed to apply this system in Dammam and Jizan with its completion expected by the end of 2014.

4- Distribution Automation System (DAS)

Distribution Automation System projects are under processing in the central area (Mecca) and in the Industrial City in Jeddah which are scheduled for completion during 2013. Furthermore, we are working with a highly experienced strategic partner (KEPCO) to set up the requirements and technical specifications of these systems to apply the latest technologies in this regard.

Automated Meter Reading (AMR)

More than 12,000 electronic meters were installed for key customers (industrial, commercial) with the aim of applying the variable tariff program, which was approved by the organizer. This equipment will be connected to an automated meter reading system, which will allow remote reading mode. In addition, an expansion plan is already being implemented to install 40,000 new electronic meters during 2011-2013.

5- Electrical Network Analysis and Design Systems

This system has been applied in all sectors to ensure optimal utilization of the system; contracts were concluded to increase the number of the users thereof.

Load Displacement and Power Efficiency Upgrade

Throughout 2012 we continued applying the offset loads software in all sectors as follows:

- 1: The variable tariff program.
- 2: Air conditioning loads control program.
- 3: Reserve generation program.
- 4: Storage coolant program.

These programs have contributed to shifting loads in the summer of 2012 of 1,144 MW.

25 exhibitions were organized about raising the efficiency of electric power in the commercial markets and service offices

As the Saudi Electricity Company provides electric power to the customers, it was required to provide related services such as delivery and payment of bills and so on. The company plans to carry out a study to measure the degree of customer satisfaction for services provided with a view to further improvement. It also wants to compare the performance of the company's customer service with the performance of other advanced states companies. It cares about knowing the views of the participants on the impact of campaigns, on raising energy efficiency, and the extent of their knowledge of the benefits of thermal insulation and its applications during 2013. It also approved the application of the tariff of the non-energy mechanism by the Electricity and Cogeneration Regulatory Authority — this will be phased in during 2013.

Isolated Generation

A number of contracts concerning power distribution and customer services during 2012 were awarded as follows:

- 1. Supporting the system during summer with a total capacity of 380 MW at a cost of SAR 370 million.
- 2. Securing the energy required to serve the remote and isolated territories with a total capacity of 1,050 MW.

- 3. Provide 46 new generators with a total capacity of 73 MW to support the network and the isolated areas during the summer. They will be installed in cities of Tabarjal and Arar.

Electricity Hedge

In 2012 electric power service was delivered to remote areas, which include 194 villages and settlements and public gatherings.

Sold Energy

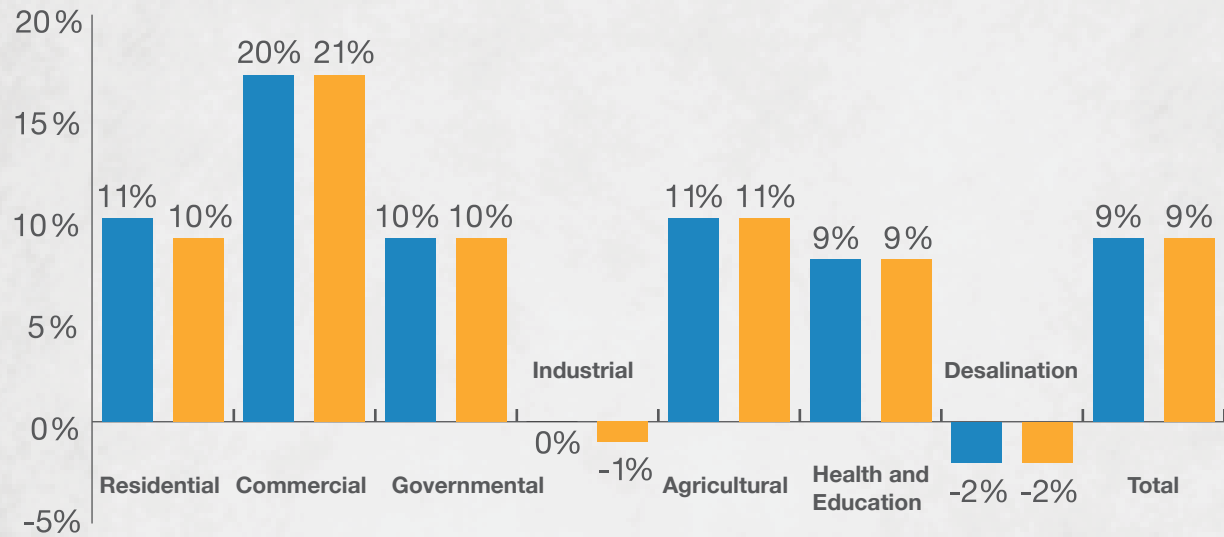
- 1. Collection of a subsidy amount from the Ministry of Social Affairs amounting to SAR 1,190,102,763 in 2011 and 2012.The company has also requested upfront for 1/2013 the amount of 56,146,025 SAR. Currently the company is requesting funds for 2/2013.
- 2. Adoption of a memorandum between the Ministry of Social Affairs and the company which aims at developing the current procedures to ensure ease and speed of data exchange and reimbursement support from the ministry.
- 3. Preparation of a sale plan, organized by category, until 2017.

Reviewing updated and corrected customer data tariff prices by sector. Under modification are the application of tariff errors, especially the residential and the commercial tariff that have had a material impact in increasing income.

Comparative Value and Amount of Sales until the end of the fourth quarter (2012 - 2011) by Category.

Consumption Category	Sales Value			Sales Quantity		
	2012	2011	Change in Value Percentage	2012	2011	Change in Quantity
Residential	9,391,889,205	8,486,629,360	11%	120,245,674,035	109,261,446,586	10%
Commercial	7,094,186,757	5,911,148,114	20%	39,263,946,624	32,511,029,682	21%
Governmental	7,891,078,140	7,157,640,211	10%	30,348,753,156	27,527,825,986	10%
Industrial	6,004,625,586	6,003,324,934	0.02%	41,711,212,184	42,128,708,888	-1%
Agricultural	444,928,786	400,062,832	11%	4,361,931,167	3,941,851,062	11%
Health and Education	183,430,496	168,214,151	9%	1,528,587,464	1,401,784,591	9%
Desalination	183,817,778	187,784,889	-2%	2,827,965,802	2,888,998,296	-2%
Total	31,193,956,748	28,314,804,490	10%	240,288,070,432	219,661,645,091	9%

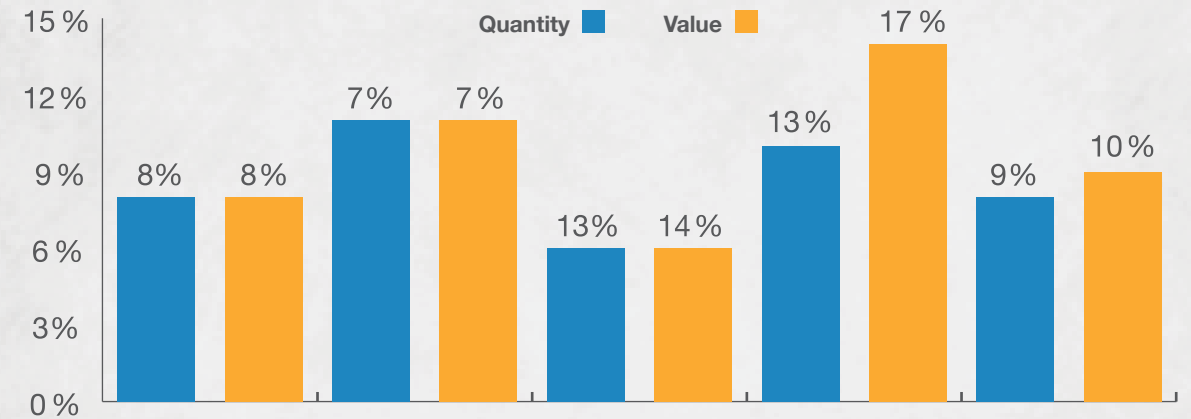
- The cause of the drop in the industrial sales is converting some of ARAMCO's meters to a category (mixed) in the year 2011. As a result, the consumption decreased in this category for this year.
- Decrease in desalination sales due to the correlation between desalination and self-generating.



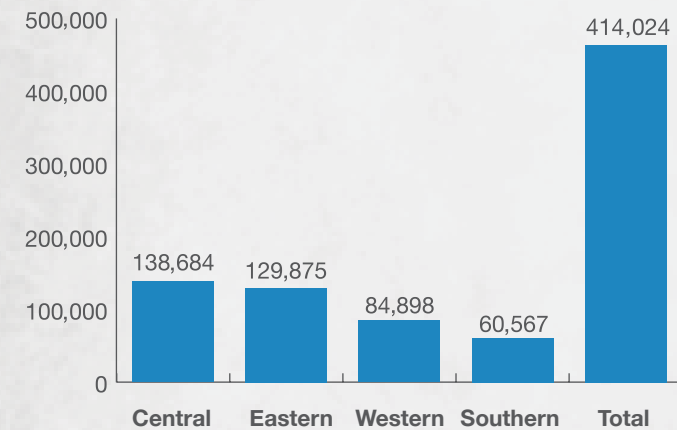
Change in Value Percentage Change in Quantity Percentage

Comparative Value and Sales Volume until the end of the fourth quarter (2012 - 2011) by sector.

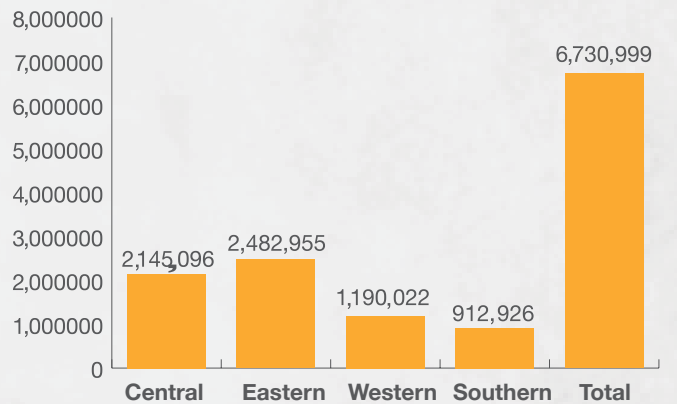
Statment	Sales of (2012)		Sales by the end of (2011)		Percentage	
	Quantity	Value	Quantity	Value	Quantity	Value
Central	72,972,876,217	9,702,637,943	67,663,143,751	8,951,457,186	8%	8%
Eastern	73,726,800,827	10,101,268,101	69,224,329,104	9,409,544,219	7%	7%
Western	73,065,932,181	9,115,782,342	64,532,315,236	8,004,210,086	13%	14%
Southern	20,522,461,207	2,274,268,362	18,241,857,000	1,949,593,000	13%	17%
Total	240,288,070,432	31,193,956,748	219,661,645,091	28,314,804,490	9%	10%



Number of New Customers in 2012



Total Number of Customers in 2012





Investment in Electricity Production Projects

Investment in Electricity Production Projects

Program for Private Sector Participation in Electricity Projects

The company is aware of the importance of economic developments taking place in the Kingdom — that it requires providing enormous amount of electric power to keep abreast of the developments. It was inevitable to establish a large number of power-generating plants through direct investments by the company and through the participation of investments coming from the private sector as part of the Company's Program for Private Sector Participation in the Electricity Projects (IPPs), which was approved in 2007; a dedicated team was formed to supervise it.

In order to support this team, the company signed contracts with international consulting firms with proven experience and equipped with the knowledge to execute technical, legal, and financial matters related to the independent electric power production projects. The company targeted, in the first stage of the program, 30% of the transmission projects on a build, own, operate basis with investments estimated at more than SAR 36 billion, as detailed below:

The first project is in Rabigh in the Western Region for a power-generating station with a capacity of 1,204 MW. A contract was signed during the second quarter of 2009 with a consortium of companies namely Korea Electric Power Company (KEPCO) and ACWA Power International (ACWA Power). Production will begin in the second quarter of 2012 and the project will be completed in 2013.

The second project is in Dharma in the Riyadh area for a power-generating station with a capacity of 1,729 MW. A contract was signed during the second quarter of 2010 with a consortium of companies namely Suez Company, Al-Jomaih Group, and Sojitz Company. Production will begin in the second quarter of 2012 and the project will be completed in 2013.

The third project is in Qurayyah in the Eastern Region for a power-generating station with a capacity of 3,927 MW. A contract was signed during the third quarter on 21/9/2011 with a consortium of companies namely ACWA Power International and Samsung C&T Corporation. Production will begin in the first quarter of 2014 and the project will be completed in the third quarter of the same year.

The fourth project (Rabigh – 2) will be in Rabigh in the Western Region with a capacity of 1,800 MW. The financial offers have been opened for the five bids submitted on 22/10/2012. Currently, the company is reviewing the offer put forth by the successful bid, which was won by the Aqua Pure International, Samsung C & T and the Port Fund.

The following table shows the draft program of private sector participation in the production of electricity (IPP) – (The Saudi Electricity Company buys the complete production of these electricity projects):

Project name	The productive capacity of the project (MW)	Private sector investment in the project's capital	Project completion date
Rabigh project for independent production (project under implementation)	1,204	80%	1/ 4/ 2013
Riyadh project (11) for the independent production (project under implementation)	1,729	50%	20/3/2013
Village project (1) for the independent production (project is in financial closure phase)	3,927	50%	1/ 7/ 2014
Rabigh project (2) for the independent production	1,800	50%	2017
Dheba project (1) independent production (Scheme)	550	50%	2017
Dheba project (2) independent production (Scheme)	1,800	50%	2018



Our Social Responsibility

Our Social Responsibility

Our Strategies:

Our Employees

- Providing a suitable work environment.
- Providing equal opportunities for training and development.
- Promoting excellence and innovation initiatives.
- Inculcation of quality culture, idea, and practice.
- Embodying the values organized by the work code of ethics.
- Employees' participation through e-mail messages and getting their views about the programs, activities, and services provided to them.

Our Community

Effective participation in achieving social and economic development through:

- Supporting the social care activities and programs.
- Interaction with the community development and humanitarian issues and concerns.
- Community participation in the initiatives and leading the rationalization program for electric power utilization, as well as dissemination of the safety and security culture on the dangers of the use of electricity.
- Supporting the research centers through adopting and assisting the initiatives and research chairs. This will contribute to rationalizing the use of electricity, improving the electric systems performance, preserving the environment, and supporting the renewable energy plans and projects.

Our Partners and Customers

Our responsibility toward electric power production, transmission and distribution formed a strong motive to prove our abilities and capabilities to build strategic relations based on fairness and transparency:

- We communicate with our customers and partners to foster of interaction, trust, and partnership.
- We encourage them to participate in issues affecting the electricity industry and follow-up of their developments.
- We listen to their views and suggestions on the performance level to reinforce our position and corporate image.



Environmental Protection

As a company using many types of fuel and oil, in addition to chemicals in the processes of producing electric power, we have a responsibility to protect the environment by:

- Building electric power-generation plants outside cities and public areas
- Using clean fuel
- Using Dry Low NOx Burner (DLN)
- Using Electrostatic Precipitators in units run by heavy fuel to reduce emission of precipitating residues
- Utilizing Flue Gas Desulphurization (FGD) technology to reduce emission of environment-polluting sulfur oxide gases
- Using high-efficiency combined-cycle units which use exhausts and generation units as a thermal source for the boilers instead of burning fuel

And since we use water, we are working to decrease contamination levels by:

- Not adding any chemicals to water drained back to the sea, except chlorine which is used to control the growth of harmful water organisms in plant equipment
- Treatment of wastewater from boilers and isolation of fuel residues from drainage tanks before sending to evaporation pools
- Controlling the degree of cooling water which will be drained to the sea within permissible limits
- Removing fuel residues and oil by entering into contracts with qualified companies to ensure that no pollution is caused to the environment

In order to limit soil pollution, we are dedicated to reducing waste levels by:

- Preparing and applying programs to reduce spills, leakages and seepages. We also work to cut down the quantities of waste generated by our operations and activities, hence achieving prominent successes in the recycling and reuse of materials
- Getting rid of all the power transformers using oils containing carcinogenic substances such as PCB to assure that no contamination is caused to the soil, surface water, and groundwater, and secure the safety of humans, animals, and plants
- Using safe pesticides and substances that are least harmful to the environment
- Implementing agreements with qualified contractors to get rid of petroleum and oil wastes in the power-generating plants through appropriate means that do not cause harm to the environment
- Cooperating with local and international universities as well as with research centers to find suitable solutions to the problem of carbonic ashes

We contribute to improving the general aesthetic appearance of the Kingdom’s cities and reducing sight and sound pollution by:

- Removing aerial electric power lines and installing them in safe underground conduits
- Ensuring architectural aesthetic appearance when designing the company’s buildings

Employee Activities

We have implemented several internal communication programs plans notably:

- **Panorama Program**

We promoted our 428 outstanding recipients of the ‘employee of the year’ award, presenting their pictures and their names on the display screens in the main centers of the company

- **Group Breakfast Program**

We carried out 226 group breakfasts for business units in the presence of senior company officials for communication between employees and senior management

- **We Are Happy for You Program**

We celebrated 324 personal staff occasions (marriage or new baby) set up by the departments of the company and in the presence of senior officials

- **Thank God for Safety Program**

In this program we conducted 101 visits to employees who have been hospitalized with the aim of providing support and assistance

- **Thanks for Your Family Program**

This program honored 317 remarkable employees at the end of the year. We provided dinner invitations for them and their families to increase their loyalty to the company

- **We Develop Together Program**

In this program, we have held three meetings with the Vice Presidents to pass on their experiences and scientific knowledge to the employees

- **Family Sessions Program**

We held 12 sessions to help develop and enhance skills of our employees’ families

- **Employee’s Orientation Program**

In this program, we organized 35 visits and field trips for the employees to the company’s major facilities

- **Employees’ Children’s Visits Program**

In this program, we organized 7 visits and field trips for the employee’s children to the headquarters and important facilities of the company

- **Open-day Program**

We organized 10 sessions in 2012 across the various departments of the company

Social Activities

- Organizing many programs and events, lectures, graduation ceremonies and honorary and private parties
- Promoted social communication with employees and their families through the implementation of an internal communication plan
- Organized programs, sports, and cultural activities and social clubs of the company
- Provided training opportunities for the children of employees to learn English language and computer skills in agreement with specialized training institutes

Our Community Activities.

We implemented the external communication programs as follows:

- **Visits of the Company’s Senior Team Member Program**

In this program, senior members of our team conducted 11 visits to business partners to reinforce and establish relations, and to build bridges of communication with key partners

- **Community Sector Visits to the Company Program**

On 54 occasions we invited and received various community sectors (educational, governmental, private, and so on) to visit headquarters and peruse the company’s prominent facilities

- **More Beautiful Environment Program**

We organized 4 programs to help clean public parks in the touristic areas of the Kingdom

- **Invest Your Energy Program**

We implemented a program for people with special needs through art/drawing contests all over the Kingdom

Our Most Notable Community Achievements

- Volunteer program serving the pilgrims, distributing 20,000 gifts, and providing guidance and assistance
- Donating SAR 2 million to 200 charity organizations
- Sponsoring some social responsibility programs such as feeding fasting people – paperless day campaign – blood donation campaign – the Association of subsidy for adults ‘mobility’ – advocacy tourism tent – the summer tourist convoy in Baha – Abha Award – Signage program and containers in the Asir region
- Hosting charity associations and organizations such as Alber charity association – associations and schools for Quran memorization – orphanages – special needs – delegations from different charity sectors

Seminars and Conferences

We have participated in organizing 476 internal activities, most important of which are:

- Participating in several occasions such as the forum of theFifteenth Forum on Quality and the accompanying exhibition under the theme Total Quality: An Oasis of Creativity. First Conference for Smart Grid Applications in the Middle East – Safety and Environmental Forum V – Meeting point of Meteorology and Scientific Environmental Protection – World Day of Civil Defense – Twenty-Eighth Traffic Week (GCC) – Summer Festival (Abha) – Al-Jouf Olive Festival
- Participating in several exhibitions such as the Career Day Gallery of the King Saud University in Riyadh and King Fahd University of Petroleum and Minerals in Dammam – Gulf Traffic Week Exhibition in King Abdulaziz City for Science and Technology – Second International Exhibition for Safety and Civil Defense Dhahran – the exhibition accompanying the first Saudi Conference for Renewable Energy at King Fahd University – We All Are Producers Third Gallery by the Association of Ahsa Girl charitable popular market-Ahsa



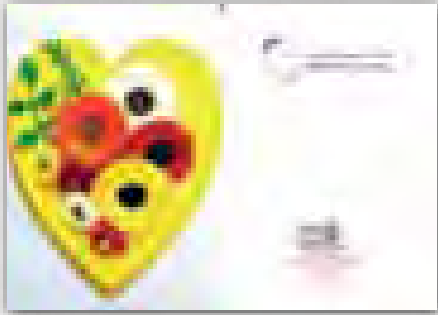
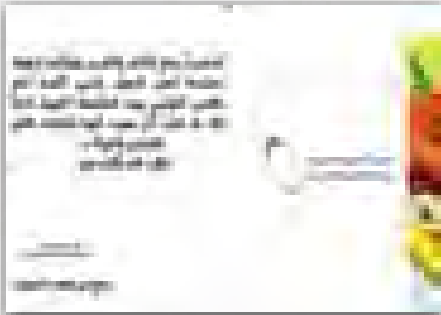
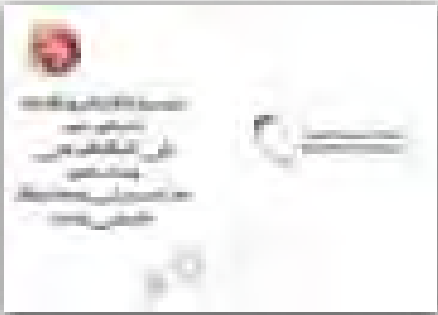
Drawing by:
Wjdan Mansour Aljabiri
9 years



Drawing by:
Angham



Drawing by:
Abd Alelah Alghamidi



The honored brother/Abdul Salam bin Abdul Aziz Al-Yemni
The distinguished
Executive Vice President for Public Affairs
Saudi Electricity Company

Peace be upon you and the mercy and blessings of God,

I appreciate the positive response with which your esteemed company's program "greetings cards" has been received and I am pleased to express to Your Excellency and the Board of Directors the sincere gratitude felt by our development management team of financial resources of the Secretariat of the Assembly. This has contributed to the success of rehabilitation programs offered by the Association for children with disabilities.

My best regards,

Chairman of the Board,
Sultan bin Salman bin Abdul Aziz



The background of the entire page is a photograph of lush green leaves. A bright sun is visible in the upper center, creating a strong lens flare and illuminating the scene. The leaves are in various shades of green, with some showing detailed vein patterns.

Environmental Preservation

Environmental Preservation

Objectives of the Program

- Since its establishment as a unified company on 05/04/2000, the Saudi Electricity Company has recognized the importance of preserving the environment and has adopted it as one of its objectives as set forth in its Article of Association factoring environmental aspects into all of its future plans.
- The company also works to maintain the sound management of its environment to protect the air, water, and soil in a manner that ensures conservation of the environment and safety of public health.
- In this concern, we, in conjunction with all the activities of the company, have prepared the company's environmental policy and formed the Environmental Protection Team, which is represented by all activities of the company. Through it, the company has set an ambitious executive plan that includes the objectives, goals, time schedules, duties, and responsibilities to activate its environmental policy and translate it into reality, ensuring its continuous commitments to the requirements of the General Environmental Regulations issued by the Presidency of Meteorology and Environment (PME)
- Our concern for the environment is apparent through our work to reduce air, water, and soil pollution, improve environmental health and preserve the environment.

Air

It is well known that power-generation plants burn fuel to produce electric power and release air-polluting gases and pollutants through chimneys and generation units. In this aspect, we are highly aware of the need to build power plants outside the cities and communities and avoid building them in places crowded with factories and other utilities so as not to contribute to the increasing rates of air pollution in these places. To limit this pollution, we have been:

- Using clean fuel, within the available resources, such as natural gas and diesel since the proportion of contaminators in them is less. In this aspect we achieved outstanding successes, ensuring that many of our generation plants use natural gas to produce electric power. Furthermore, we spent very large amounts to modify the generation units in Power Plants 7, 8, and 9 in Riyadh, which were operated using crude fuel and are now operating on natural fuel.
- Using advanced Dry Low NOx (DLN) burners that produce lower proportion of nitrogen oxides; a major pollutant emitted from power plants using fossil fuel which have an impact on the environmental preservation.
- Using Electrostatic Precipitators in units run by heavy fuel to reduce the emission of suspended residues.
- Using Flue Gas Desulphurization (FGD) technology to reduce the emission of the environment-polluting sulfur oxides. In this concern, the company invested billions in its new projects.
- Using high-efficiency combined-cycle generation units, since they use exhausts of the generation units as a thermal source, for the boilers instead of fuel burning.
- Implementing advanced levels of electrical interconnection between the regions of the Kingdom, which contributed in reducing the rotating reserve in the network, and subsequently reduce the emission of the air pollutants resulting from burning more fuel.
- Terminating the use of some environment and health harming chemicals such as Freon 12, trimethyl-chloride, halon, asbestos, and replacing them with non-harmful elements.

Water

Water pollution is one of the most pressing environmental problems in the Kingdom, and the company is working toward reducing the water pollution resulting from its operations and activities through:

- Not adding any chemicals to the water drained back to the sea, except chlorine which is added to control the growth of water organisms that are harmful to the power-generating equipment. The processes of adding chlorine are monitored with the use of devices that measure the ratio of chlorine concentration so as not to exceed the allowable ratio in accordance with the environmental protection standards of the Kingdom.
- Treating wastewater from boilers and separating the fuel residues from the water tanks prior to sending it to the evaporation pools.
- Controlling the degree of cooling drained water going back to the sea within the allowable limits.
- Making use of the sanitary water drainage after being biologically treated for irrigation purposes, in order to increase the green area inside the plants and in its residential areas, and to reduce the use of fresh water.
- Phasing out fuel and oil residues by entering into contracts with qualified companies to ensure that no pollution is caused to the environment. Oil contaminated water is passed through several stages to separate oil from water and discharge it via environmentally safe methods.
- Conducting marine surveys of coastal areas to assess the environmental influences of the electric power-generation plants on water quality and marine sediments, as well as the biological diversity in the marine environment.

Soil

To reduce soil contamination, the company does its best to limit wastes, the disposal of which has become one of the largest threats to the environment and public health. To control the use of environmentally harmful materials of various types, we have succeeded in:

- Preparing and applying programs to reduce spills, leakages and the volume of wastes produced by the company's operations and activities, and to achieve remarkable success in terms of recycling and reuse of materials.
- Removing all the power transformers that use oils containing carcinogenic substances such as PCB to ensure that no contamination is caused to the soil, surface water and groundwater, and to secure the safety of humans, animals, and plants.
- Using SF6 to isolate gas in the electrical switches instead of oils, which contribute in reducing the substation areas and reducing the possibilities of leakage, seepage, and subsequently water and soil pollution.
- Using XLPE-type dry cables instead of oil cables in order to reduce possibilities of leakage, seepage, water, and soil pollution.
- Replacing all the currently used insecticides with less harmful ones.
- Continuing the implementation of agreements with qualified contractors to get rid of petroleum and oil residues in the generation plants in ways that will not cause harm to the environment.
- Consistently cooperating with local and international universities and research centers to create suitable solutions to the problem of carbonic ashes.

Environmental Hygiene

The company is committed to preventing the prevalence of diseases related to its activities, operations, and applications, as well as protecting the health of its workers, their families and the public. It provides support for the payment of treatment costs and for maintaining a healthy work environment through the following procedures:

- Collecting and storing medical wastes in the company and keeping them in places specially designed for such residues; marking them with a distinguished color, and disposing of them in a safe manner through specialized contractors.
- Assessing the quality of water used from the source to the network, to make sure it is free from biological or chemical contaminants and that it is safe to use. In this concern, water sources such as wells or distribution systems are subject to routine examination to make sure they are in compliance with the national standards.
- Monitoring sewage and industrial water drainage of company facilities to ensure that the general environment system, public health, and environmental protection standards are observed.
- Monitoring waste generation to ensure effective management of waste materials from production to disposal to prevent contamination of soil and groundwater.
- Committing to reducing the negative effects of noise emitted from various activities of the company right from the design stage and construction processes when building power-generating plants in populated areas by bringing the noise level within internationally acceptable standards.
- Installing power lines within safe routes in compliance with international specifications.
- Safe removal of all the wastes resulting from the activities and operations of the SEC, which weigh 13,349 tons.
- The safe disposal of all medical wastes on the sites of the company, which weigh 7.7 tons / year.

Rationalization of Energy Consumption

The depletion of natural resources is one of the major environmental issues experienced by countries all over the world and the Kingdom in particular. Rationalization of water, power, and materials is the most effective way to protect the environment against pollution, and to preserve and develop its natural resources. In this area, we achieved many remarkable successes, such as:

- Completion of advanced phases in the electrical interconnection of the different regions of the Kingdom, which will largely contribute in reducing emissions that contaminate the atmosphere.
- Using combined-cycle generation units since these units are used as heating sources for boilers to produce steam instead of burning fuel.
- Segregating and reusing fuel residues from drain water tanks.
- Using timing devices to switch off lighting, air-conditioning, and computer systems outside working hours, as well as replacement of the existing lighting and computer systems with energy-saving ones. We've also designed the modern buildings of the company to make optimal use of natural light during the day.
- Using treated sewage water for irrigation instead of fresh water.
- Rationalizing the use of water in the company's utility water closets.
- Printing on both sides of a sheet of paper, and preventing color printing for the internal correspondences of the company.
- Conducting periodic maintenance of company equipment and systems to maintain their utmost operational efficiency.
- Establishing a solar power plant at Farasan Island which produces 860 thousand KWH annually.
- Installing a power generation plant using combined-cycle units (Power Plant 10) running on treated sanitary water.

Awareness and Training

We publish and distribute environmental awareness among employees, contractors, and suppliers of the company via:

- Environment awareness lectures, brochures, materials, leaflets, and stickers to extend reach to all.
- Allocation of a webpage on the company's intranet dedicated to the environment.

- Publishing of environmental slogans on the importance of environmental protection and rationalization of energy, water and material consumption.
- Providing specialized training courses on environmental protection, within the scope of the company's training programs.
- Qualifying concerned cadres and enabling them to attend training courses to obtain international certificates in environmental protection and to have access to the latest updates on this subject.
- Cooperating with concerned parties from inside and outside the Kingdom, and getting involved in exchange of experiences with the experts and specialists in the field of environmental protection through attendance and participation in environmental seminars and conferences.
- Training of 141 employees selected from the various departments of the company on applying the “Environmental Management System”.
- Training of 107 employees selected from the various departments of the company on applying the “Waste Management System”.
- Training of 174 employees selected from the various departments of the company on assessing the “Environmental Consistency” program.
- Training 80 employees selected from the various departments of the company on “Educating the Facilities Inspectors”.
- Preparing and printing awareness booklets about the role of the company in the environmental protection program “Beeatona” (Our Environment).
- Developing mechanisms to deliver lectures on environmental awareness and their contents.
- Preparing a company guide for waste management.

Environmental Emergency Situations

To provide the highest level of readiness in case of environmental emergency situations, the company has done the following during 2012:

- Upgrading all emergency plans to deal with any environmental issues.
- Preparing a detailed plan across all the company power plants to respond to radiation and nuclear emergencies.

Visual Pollution

The company contributes in improving the visual elements of the general landscape within the cities of the Kingdom and reducing the visual pollution through the following measures:

- The company spends huge amounts of money to secure overhead lines by installing them in safe underground conduits. In this regard, the company has an advantage over many of the advanced countries that are still using the aerial networks inside their cities.
- The company takes into account, when designing its buildings, the aesthetic architectural view of these buildings, facilities, and utilities, particularly the customer reception buildings and halls.
- Preservation of green areas at a rate of 3% of the outer area of the company.
- Taking part in the national campaign for keeping Riyadh clean.

The Company's Contributions

The company cooperates and continues to cooperate with governmental bodies and agencies on many undertakings and activities aiming to protect the environment in the Kingdom, through:

- Participating in the development of national indicators for the environment and sustainable development.
- Participating in preparing the national plan for responding to radiological and nuclear emergencies.
- Participating in setting and implementing the executive plan to protect the environment in Riyadh and attending the meetings of high-level technical committees.
- Continuing to coordinate with the General Presidency of Meteorology and Environmental Protection and the General Auditing Bureau regarding the protection of the environment.
- Compiling an environmental quarterly report and sending it to the General Presidency of Meteorology and Environment Protection.
- Initializing an awareness campaign to rationalize the consumption of paper within the company entitled “Paperless Day”.

The background is a dark, abstract composition. It features a grid of thin, dark lines that create a sense of depth and structure. In the center-left, there is a bright, glowing sphere with a textured, almost crystalline surface. The sphere emits a strong light, creating a lens flare effect that radiates across the grid. The colors are primarily dark blues, greys, and blacks, with the sphere providing a bright, warm glow. The overall mood is futuristic and technological.

Research & Development

Research and Development

Research and Development Program 2012

Technical developments in the field of scientific research have led to growth and development in the West and one of the advantages of using updated scientific research is finding solutions that do not conflict with the advances of the new era such as generation, transmission, and distribution of electricity.

For this reason the company's management has adopted the above-mentioned approach in the development of its work and in dealing with technical and operational aspects, especially the maintenance works. The company is also moving forward with its rationalization program on the use of energy which will result in raising the efficiency of the electrical system based on sound scientific rules, especially after the issuance of the Council of Ministers' Resolution No. 169, Article 1 (Para2/E) which mandated the company to allocate a portion of its income, as determined by the Board of Directors, to the research and development works within its specialization. Furthermore, Article 3 of the Resolution has also obligated the company to cooperate with universities, institutes, and specialized centers on the rationalization of electric power consumption, improving the efficiency and operational performance as well as preservation of the environment. In addition, Article 2/7 of the Company's Articles of Association states that: "Company shall conduct and support research work in such fields as may improve service quality, upgrade performance operation efficiency, rationalize power usage, maintain and protect the environment, and reduce the cost."

There is no doubt that the adoption of this scientific method in developing the electricity system of the company will foster development of skilled manpower and use of technology in our country and lead to nationwide advances, among them increasing the efficient use of energy and preserving the environment. In addition, it will lead to upgrading the production, raising the operating efficiency, and reducing costs incurred by the company, allowing it to provide high-quality service to all sectors of consumption.

Program Objectives

- In the field of power generation, we strive to improve the efficiency of fuel usage and extend the useful lives of the assets and their spare parts, as well as to maximize their production capacities.
- In the field of transmission, we strive to prolong the longevity of our existing assets and their capabilities, as well as to improve their performance in various areas and to rationalize their maintenance programs.
- In the field of distribution, we seek to maximize efficient use of assets, to develop the bill preparation and collection processes, and to achieve minimal energy-loss rate.
- In the field of electrical loads, we strive to develop programs for demand management, and to stimulate it to realize the utmost utilization of the existing assets.
- In the field of energy use, we are doing our best to rationalize and raise efficiency of power consumption and striking a balance between horizontal and vertical growth throughout Kingdom.

Program Stages

Stage 1 (April 2002 to March 2003)

The company started off with a review and identifying important topics to include in the first program for research. Ten contracts were signed during this stage. An agreement for research collaboration was signed between the company and King Abdulaziz City for Science and Technology.

Table 1 Projects Implemented During Phase 1

No.	Project	Research Implementing Agency	Start Date	End Date	Project Value (SAR)
1	Supplying wind energy to remote villages	King Fahd University of Petroleum and Minerals	01/03/2003	31/08/2005	675,183
2	Studying the link between wind power and the electrical grid	King Fahd University of Petroleum and Minerals	01/03/2003	30/08/2005	580,460
3	Categorizing security and economic integration of electrical systems	King Saud University	01/03/2003	31/05/2005	460,000
4	Researching environmental impact on the properties of polymer insulators	King Fahd University of Petroleum and Minerals	01/03/2003	01/04/2006	2,219,299
5	Power quality standards	King Fahd University of Petroleum and Minerals	01/03/2003	31/12/2004	360,814
6	Investigating recruiting perspectives and using electrical machinery cluster systems	King Abdulaziz City of Science and Technology	01/03/2003	01/05/2005	450,000
7	Market survey of main sectors consuming electricity	Alazouny Consulting	02/04/2003	01/04/2006	2,262,514
8	Electricity tariff during peak times and reduction of load	King Fahd University of Petroleum and Minerals	01/03/2003	01/04/2006	705,341
9	Identifying electric and magnetic domains and the vulnerability of workers exposed to magnetic field	King Fahd University of Petroleum and Minerals	01/03/2003	31/12/2005	1,591,778
10	Identifying hazardous exposure to magnetic fields	King Saud University	01/03/2003	31/08/2005	654,000

Stage 2 (April 2003 to June 2004)

During this stage, three projects of the first program were implemented, and the second research program was issued consisting of seven requests for proposals from which contracts were signed. The total proposals received under this program were 35. The tables 2 and 3 show these projects in detail.

Table 2 Phase 2 of Research Projects Submitted during the First Program

No.	Project	Execution	Start Date	Duration of Project Implementation (work month)	Status	Project Value (SAR)
1	Supplying wind energy to remote villages	King Fahd University of Petroleum and Minerals	07/2004	15	Completed on time	675,183
2	Study linking wind power and electrical grid			18	Contract was renewed until 12/2007. Project completed and final report presented	580,460
3	Electricity tariff during peak times and reduction of load			15		705,341

Table 3 Second Program for Research Projects

No.	Project	Execution	Start Date	Duration of Project Implementation (work month)	Project Value (SAR)
1	Streamlining lifetime of the hot path parts of the gas turbine	ERA Technology Ltd (Engl.)	4/2005	24	276,000 (£)
2	The impact of high frequency blade usage in turbine pump boiler feeds on related parts	King Fahd University of Petroleum and Minerals	11/2004	30	855,000
3	Studying the instability of characteristics and causes of fuel oxidation, resins, and contaminants	King Fahd University of Petroleum and Minerals	9/2005	15	786,924
4	Improving the air distribution network voltage 13.8/ 33	COOPER (Greece)	9/2005	9	345,000 (\$)
5	Grounding resistance plug measurements of soil and land distribution networks	King Saud University	12/2005	18	888,000
6	Automated distribution system	King Abdulaziz City for Science and Technology	7/2005	18	450,000
7	Approximation of distribution network loads	King Abdulaziz City for Science and Technology	1/2007	20	495,000

Stage 3 (July 2004 to April 2006)

This stage consisted of seven projects. The company received a total of 21 proposals from which five contracts were signed and completed. The periodic and final reports were received; some were received during this stage and the others during the second stage as follows:

- Contract for work study project on “Diagnosis on the Condition of Termination Cables in the Electric Transformers and Circuit Breakers” in coordination with the Transmission activity and King Abdulaziz City for Science and Technology.
- Contract for work-study project on “Effects of Harmonics on the Power System and Ways of Dealing with It” with King Fahd University
- Contract for work-study project on “Creating a Model for the Air-Conditioning Loads to simulate the Returning Voltage State in the Transmission Network” with King Abdulaziz City for Science and Technology.
- Contract for work-study project on “The Environmental Assessment in Power Generation Plants” with King Saud University.
- Contract for work-study project on “The Electrical Waste in the Distribution Network” with King Abdulaziz City for Science and Technology.

Table 4 Third Program Research Completed in 2007

No.	Project	Execution	Project Value	Start Date	End Date
1	Diagnosis on the Condition of Termination Cables in the Electric Transformers and Circuit Breakers” in coordination with the Transmission activity	King Abdulaziz City for Science and Technology	260,000 (SAR)	18/2/2007	30/9/2007 Ended
2	The impact of harmonics resulting from the operation of the devices compensators Static ability of non-actors and large capacitors on the strong consumer and means of processing	King Fahd University of Petroleum and Minerals	490,000 (SAR)	11/4/2007	31/7/2008 Extended and ended
3	Creating a Model for the Air-Conditioning Loads to simulate the Returning Voltage State in the Transmission Network in the Western Region	King Abdulaziz City for Science and Technology	646,400 (SAR)	18/2/2007 Ended	30/9/2008

4	Determining the electrical energy losses in distribution networks	King Abdulaziz City for Science and Technology	695,000 (SAR)	1/4/2007 Ended	30/9/2008
5	The environmental impact report for major power plants	King Saud University	580,000 (SAR)	31/1/2007 Ended	30/9/2008

Stage 4 (April 2006 to December 2010)

This stage included the follow-up of the first, second and third stages of the project, as well as the joint research projects. Requests for quotations were prepared for the fourth stage of the research projects, which included two offers for the generation activities and three offers for transmission activities as follows:

- As regards the comparative research work-study on the effect of lowering the internal combustion temperature on the longevity of the turbine blades, the consultant “Era Consulting” (British company) submitted its final report in December 2010. The report included recommendations revolving around the fuels that feed the turbines; that the fuel should be thoroughly, regularly, and quickly analyzed; that prompt measures should be taken when there is a decrease in fuel standard as compared to the required standards; understanding and characterization of the combustion pollution source on a daily basis in order to take the necessary preventive measures in the future which would ensure maintaining quality standards of the fuel regularly feeding the turbines.
- As regards the research project to protect the water intakes at Qurayyah Power Plant against jellyfish, King Fahd University began work to achieve this objective in cooperation with American and Japanese consultants and suggested building barriers to prevent the jellyfish getting into the water intakes of this plant. The company is also developing structural and hydraulic designs in accordance with various measures accredited in Japan. The final report draft was submitted in 2012.
- As regards the research project to assess the capacity quality of the company's power transmission system, the consultant provided the company with six quarterly technical reports, taking into consideration the company's observations on this issue. The company held a meeting with the consultant to discuss the deadline for submission of the draft of final report. The contract duration was extended as a result of the delay in completing the study. However, the draft of the final report is expected to be submitted and carried out by the company by early 2012.
- While studying the possibility to take advantage of the restricted generating capacity and pricing study standby power supplied by the company Aramco, information has been gathered about generating stations that have constrained capacity and working on creating a database recording the pricing power to pass and standby power, and presenting it to the company. Preparing the strategic outlines and the pricing policy of this type of energy was also in plan.

All the research projects of the fourth stage were signed at the beginning of 2009 and the final reports have been submitted for all fourth-stage projects. They were all completed by the end of 2012.

Establishment of a specialized department in the field of research and development

Due to the concern of the company to apply the Council of Ministers Resolution No. 169 item paragraph 1 (Article 2/E), which was previously referred to, the company decided in early 2012 to create a specialized department in the field of research and development. This is to follow latest research findings that can be adopted to improve the level of service in the company and help to solve the technical problems that conflict with the electricity system operation and increase the reliability and security of the electrical system in the Kingdom. Thus the administration has embarked on searching for specialized personnel in the field of research and development for follow-up research and development with a view to improving the performance and the service of the electrical system.

Phase 5 (second half of 2012)

Early in the second half of 2012, the fifth stage research projects were considered, after a meeting with stakeholders in the company. A total 17 research topics were selected, in accordance with the requirements of various activities in the company, as follows:

First: Planning and Performance Monitoring Activities

- 1. Feasibility of using a voltage higher than 380 KV. and a DC voltage HVDC to connect the power plants in major cities across the electrical system in the Kingdom (advantages, disadvantages, and costs).
- 2. Furnace steel mill impact on the electric grid, especially the proximity of power plants, practical solutions, and estimated costs.
- 3. Assessing the requirements of reliability and efficiency of electricity service in major cities such as Riyadh, Jeddah, Mecca, and Dammam currently and on the long term. This covers energy transmission network on high and super high voltage and the availability of alternatives to provide electric service in emergency situations, local generating stations, transformers, equipment and other backup. It also includes the evaluation network strength and condition of the equipment and the incidence of malfunctions.

Second: Distribution and Customer Services Activities

- 1. Not separating pneumatic transmission lines if feeder lines malfunction.
- 2. Checking the cables and equipment.
- 3. Monitoring the performance of insulators built in the coastal areas of the national network in Saudi Arabia.
- 4. Studying the effect of external temperatures on the smart meters for the customers.

Third: National Grid SA Activities

- 1. Monitoring the performance of insulators built in coastal areas across the national grid.
- 2. Collapse of the power transformer due to sulfur corrosion.
- 3. Studying the ideal number to launch protection signals for each feeder.
- 4. Measuring the developed infrastructure.
- 5. Increasing the electrical conductivity of the cables, high pressure, and high-voltage at high temperatures.

Fourth: Generation Activities

- 1. The effect of partial running of units on hot parts and harmful emissions on the environment.
- 2. Conducting a study to monitor the amount of fuel in fuel trucks while in transit from one place to another.
- 3. Working on a feasibility study to establish a laboratory to check the spare generating units (whether cutting the hot path for gas units or turbine unit parts) before they are sent for repair to ensure the feasibility of the repair process. Also checking on the quality of repairs and to configure that the company has experience in this vital field, which costs the company hundreds of millions of Riyals annually. Moreover it should be springboard for the company's entry into the manufacturing and repair processes with a view to securing the highest quality parts and lowest possible cost.
- 4. Studying the right kind of paint blades for gas units which operate most of the time on a partial capacity, where there have been some problems.
- 5. Corrosion of units that operate at partial capacity.
- 6. Whichever is more economically effective; installation of air-cooled projects for gas units or the installation of new units.

Joint Projects with King Abdulaziz City for Science and Technology

As part of the scientific cooperation and through the joint scientific committee formed with King Abdulaziz City for Science and Technology, the committee started its work in 1423H (2002), jointly supporting many research projects of interest to the company, and which benefitted the electricity industry in the Kingdom. The company signed many joint projects with King Abdulaziz City for Science and Technology, as follows:

- Contract with King Saud University to test and assess the polymer insulation materials used in medium-voltage cables and their manufacturing methods to suit the local conditions. The project was completed and results were presented in the second scientific meeting of the university.
- Contract with King Saud University for the study of the effects of frequent power interruption on a sample group of large customers in the Kingdom. The project was completed and among its most important recommendations were maintaining the system quality, improving the production level, and reducing the frequency of interruptions as far as possible because such interruptions have more negative effects on the company than on principal customers, especially at the high production levels.
- Contract with King Fahd University to test decomposition and thermal and electrical stress at cable joints and terminals that are used in electricity distribution networks. It was started in 2006 then extended and results were presented at the second scientific meeting in the university.
- A scientific meeting was organized jointly by the university and the company entitled “The Impact of Electromagnetic Fields Emitted from Power Transmission Lines in the Kingdom of Saudi Arabia” on 23/5/1429H corresponding to 28/05/2008 under the patronage of his Excellency the CEO of the Saudi Electricity Company. The meeting comprised 128 participants from 21 bodies and authorities, and 32 questionnaires were received to evaluate the meeting, which has come up with very important recommendations.
- The second scientific meeting was held on 10/06/2009 to review the research results on the transformers, transmission, and distribution networks, distribution cables, testing and assessing the electrical insulation materials, decomposition testing, thermal and electrical stress at the cable joints and terminals to reduce downtime and study of the causes and effects of power supply interruption on the principal customers, as well as other research works.
- The first scientific symposium for research and development (R&D) was held during the period 2-3 May 2010 in the presence of his Excellency the Chairman of the Board of Directors, the Chief Executive Officer (CEO), project managers, and researchers to examine the results of the research projects and their recommendations. The total attendance of this seminar was 185 people, while the targeted number was only about 100, including participants and researchers. The results of the questionnaires showed that assessment average of the lectures' scientific material was 85%, and assessment of the organizing committee and preparations was 89%. Managers of the reviewed research projects and some of their researchers were honored at the seminar.
- An agreement worth SAR 20 million was signed between the company and the university to improve electrical voltage in remote areas (taking Al-Husah as a model). The project sought to conduct design, assembly, installation of production and control devices in non-energy actors (SVC) as well as some energy drag devices (REACTOR) as required in the technical design to service the facility feeding the area from Alrweidh town toward the town of Al-Husah. The aim is to solve recurring problems with voltage, namely frequent drops and jumps during the year, comprising over 10% of the normal value at 33 KV. Installation of the equipment has been fully tested and the project is running successfully. An added value is the transfer of technology to the Kingdom.

Cooperation with the King Abdullah University of Science and Technology

Cooperation agreements with King Abdullah University were agreed following a visit from SEC's executive vice president of generation Engineer Fouad Al-Shrebi. The university's most important recommendations are:

- Taking advantage of ash, resulting from burning heavy fuel oil by reducing or recycling it
- Taking advantage of adsorption technology for water desalination and cooling station generators “ADC-Adsorption Desalination and cooling”

Registration research projects on clean energy

The Saudi Electricity Company attaches great importance to clean energy projects, and is a member of the National Committee of clean energy. The company's management has included some of the research projects on clean energy to improve energy efficiency and environmental protection as programs PoAs. The company has also recently logged 15 research projects in the field of clean energy in the United States, intended for clean energy projects (Consideration of the CDM Prior).

The company takes on 51% of the company CES

The Saudi Electricity Company took on 51% of CARBON SERVICES LTD (CES) to register clean energy projects and the rest for Oil, Chemicals and Mining Co., Ltd., subsidiary of the Saudi Binladin. SEC registered the following two programs in the United States:

7. Advanced energy solutions in buildings project

The objective of this project is to provide electricity and meet the requirements of cooling and heating for commercial buildings in a more efficient and less carbon emitting intensity through the implementation of cogeneration and trigeneration.

8. Renewable energy program of activities in the Middle East and North Africa

The objective of the project is to launch and support sustainable development and renewable energy projects in the Middle East and North Africa. The project includes renewable energy sources reached on the electric grid and with capacities of small and large size, so it can replace electricity generated from existing fossil fuel plants and reduce carbon emissions. The renewable energy technologies cover:

- a. Wind energy
- b. Solar energy

Sponsorship of Scientific Chairs

In line with the company's policy to reinforce and develop research programs, it initiated scientific chairs in Saudi universities and signed the following agreements:

- Saudi Electricity Company chair in “Load Management and Upgrading the Efficiency of Electric Power Consumption” with King Abdulaziz University on 07/05/2008 at a cost of SAR 5 million over a four-year period.
- Saudi Electricity Company chair in “Reliability and Safety of the Electric System” with King Saud University on 25/05/2008 at a cost of SAR 5 million over a four-year period.
- Saudi Electricity Company chair in “Electrical Protection and Control” with King Abdulaziz University on 11/06/2008 at a cost of SAR 5 million over a four-year period.

Activation of the Scientific Chairs

In 2009, specialized scientific workshops were held as follows:

- A workshop was held in the area of load management and upgrading the efficiency of electric power consumption at King Abdulaziz University in Jeddah. Another scientific workshop was also held on protection and control in the electric network at King Fahd University of Petroleum & Minerals in Dhahran which was attended by more than 40 engineers from the company, Saudi-Aramco, and

Saudi Basic Industries Corporation (SABIC); a workshop on the reliability and safety of the electric system at King Saud University, Riyadh. Activation of these workshops has inspired the company's employees to conduct MA degree dissertations consistent with the company's needs and specialized topics related to these chairs so that they will benefit the company in resolving technical problems it is currently facing as well as those anticipated in the future. They will also benefit the students from among the employees of the company. These studies were published concurrently with the holding of the First Scientific Conference for Research and Development during the period from 2-3 May 2010 through scientific periodicals and specialized journals, such as research papers submitted by the research professors for international documentation, and for making use of them technically and economically to improve the company's performance.

- Among the activities of the Saudi Electricity Company Chair in “Power System Reliability and Security” with King Saud University “<http://seccrs.ksu.edu.sa>”, a workshop entitled Intelligent Network Workshop and Participation in Its Management was organized. The Company participated in the workshop along with King Abdulaziz City for Science and Technology, King Saud University, Electricity and Cogeneration Regulatory Authority, University of California, and the University of Los Angeles. The workshop was held at the headquarters of King Abdulaziz City for Science and Technology during the period from 8-9 January 2011, which also saw the participation of many of the Company's engineers and university professors.

King Abdulaziz University chair for load management and energy efficiency (<http://saudielectricitychair.kau.edu>)

- The first annual report was issued on 30/12/2009, wherein the load curve of a sample of principal company customers was analyzed. A proposed new program “SRBP” for load management was submitted entitled “The Material Incentive to Reduce the Summer Loads” to encourage key customers to reduce the loads, at their discretion, at peak times. Incentives are paid to the customers depending on the level of reduction in consumption, a concept adopted by the Electricity & Cogeneration Regulatory Authority at the time when the new tariff was approved for non-residential categories to motivate the reduction of consumption at peak hours and increase it at other times.
- Under the University's sponsorship of the projects, Dr. Abd Allah Bafel, the second workshop was held on 30/10/2010 titled “Load Management: Applications and Challenges” at King Abdulaziz University in Jeddah. The workshop was attended by Mr. Hans Erik, Director of the Load Management Program of the International Energy Agency. Participating was a pool of company engineers, university faculty members and students, company employees and businessmen.
- The application of control systems in several of the University of Jeddah's buildings. The buildings serve as a model for the rationing of energy consumption and are equipped with measuring devices and digital meters supplied in collaboration with the maintenance department of the university and the company. This model has been effective since 10/12/2010 and aims to identify how to achieve optimal savings of energy consumption in the buildings so as to apply findings to other facilities.

Inventions

The company currently contributes toward funding the inventions presented to it, whether by employees of the company or any parties fielding other inventions the company believes will be beneficial in improving the company's performance both technically and economically.



Financial Statements

Saudi Electricity Company
(Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS AND
AUDITORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2012

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Auditors' Report to the Shareholders of Saudi Electricity Company
(A Saudi Joint Stock Company)

Scope of audit

We have audited the accompanying consolidated balance sheet of Saudi Electricity Company ("the Company") – a Saudi Joint Stock Company and its subsidiaries ("the Group") as at 31 December 2012 and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended. These consolidated financial statements are the responsibility of the Group's management and have been prepared by them in accordance with the provisions of Article 123 of the Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the consolidated financial statements.

Unqualified opinion

In our opinion, the consolidated financial statements taken as a whole:

- present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2012 and the consolidated results of its operations and its cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.
- comply with the requirements of the Regulations for Companies and the Company's by-laws in so far as they affect the preparation and presentation of the consolidated financial statements.

for Ernst & Young



Rashid S. AlRashoud
Certified Public Accountant
Registration No. 366



Riyadh: 14 Rabi Thani 1434H

(24 February 2013)

Saudi Electricity Company
(A Saudi Joint Stock Company)
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2012
(In Thousands Saudi Riyals)

	Note	2012	2011
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	3,045,786	7,306,624
Receivables from electricity consumers and accrued revenues, net	5	13,427,260	12,027,200
Prepayments and other receivables, net	6	5,193,853	4,853,625
Inventories, net	7	5,821,473	5,562,850
TOTAL CURRENT ASSETS		27,488,372	29,750,299
NON-CURRENT ASSETS			
Loan to an associated company		365,500	365,500
Equity investments in companies and others	8	2,190,812	2,404,542
Construction work in progress	9	39,889,549	22,260,811
Fixed assets, net	10	168,652,100	158,673,259
TOTAL NON-CURRENT ASSETS		211,097,961	183,704,112
TOTAL ASSETS		238,586,333	213,454,411
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable	11	34,509,177	26,241,202
Accruals and other payables	12	4,735,729	4,605,942
Short term loans and current portion of long-term loans	14	1,468,000	3,133,100
Sukuk	15	-	5,000,000
TOTAL CURRENT LIABILITIES		40,712,906	38,980,244
NON-CURRENT LIABILITIES			
Long-term loans	14	12,196,986	13,581,788
Sukuk	15	20,562,990	14,000,000
Employees' indemnities	16	5,168,181	4,838,509
Deferred revenues, net	17	22,289,701	20,469,575

Customers' refundable deposits		1,453,806	1,367,628
Government loans	18	23,374,496	18,845,211
Long-term Government payables	19	58,487,223	49,046,508
Change in fair value of hedging contracts	20	370,748	431,870
TOTAL NON-CURRENT LIABILITIES		143,904,131	122,581,089
TOTAL LIABILITIES		184,617,037	161,561,333
Shareholders' equity			
Share capital	21	41,665,938	41,665,938
Statutory reserve		1,810,599	1,554,492
General reserve	22	540,330	538,343
Retained earnings	26/30	10,323,177	8,566,175
Net change in fair value of hedging contracts	20	(370,748)	(431,870)
TOTAL SHAREHOLDERS' EQUITY		53,969,296	51,893,078
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		238,586,333	213,454,411

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2012
(IN THOUSANDS SAUDI RIYALS)

	Note	2012	2011
OPERATING REVENUES			
Electricity sales		31,101,888	28,280,494
Meter reading, maintenance, and bills preparation tariff		937,529	883,059
Electricity connection tariff	17	1,515,790	1,330,533
Other operating revenues		91,052	75,512
TOTAL OPERATING REVENUES		33,646,259	30,569,598
COST OF SALES			
Fuel		(6,228,717)	(5,771,379)
Purchased energy	29/c	(4,565,148)	(4,256,237)
Operations and maintenance	23	(8,726,637)	(8,238,710)
Depreciation - Operations and maintenance	10	(10,522,344)	(9,601,779)
TOTAL COST OF SALES		(30,042,846)	(27,868,105)

GROSS PROFIT FOR THE YEAR		3,603,413	2,701,493
General and administrative expenses	24	(390,448)	(434,537)
Depreciation - General and administrative	10	(313,537)	(335,281)
INCOME FROM OPERATING ACTIVITIES		2,899,428	1,931,675
Human recourses productivity improvement program	16/a	(634,268)	(125,265)
Other income and expenses, net	25	295,906	406,749
Net Income For The Year		2,561,066	2,213,159
EARNING PER SHARE (SR):			
From operating activities for the year		0.7	0.46
From net income for the year		0.61	0.53

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012
(In Thousands Saudi Riyals)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year	2,561,066	2,213,159
ADJUSTMENTS TO RECONCILE NET INCOME FOR THE YEAR WITH NET CASH FROM OPERATING ACTIVITIES:		
Provision for doubtful receivables	252,483	121,721
Provision for slow-moving inventories	171,322	62,960
Share in investees’ net losses	63,729	45,747
Depreciation	10,835,881	9,937,060
Gain on disposal of fixed assets, net	(85,556)	(25,860)
Employees’ indemnities, net	329,672	148,291
CHANGES IN OPERATING ASSETS AND LIABILITIES:		
Receivables from electricity consumers and accrued revenues	(1,652,543)	(2,183,914)
Prepayments and other receivables	(340,229)	(1,218,389)

Inventories	(429,945)	79,076
Accounts payable	8,267,975	4,365,159
Deferred revenues, net	1,820,126	3,732,630
Accruals and other payables	116,519	195,481
NET PROCEEDS AND PAYMENTS FROM CUSTOMERS’ REFUNDABLE DEPOSITS	86,178	72,186
Net cash from operating activities	21,996,678	17,545,307
CASH FLOWS FROM INVESTING ACTIVITIES		
Equity investment in companies and others	150,000	(150,939)
Fixed assets and construction work in progress	(38,466,266)	(29,205,430)
Proceeds from sale of fixed assets	108,362	33,332
Proceeds from other investments	-	1,000
Net cash used in investing activities	(38,207,904)	(29,322,037)
CASH FLOWS FROM FINANCING ACTIVITIES		
Government loans	13,970,000	7,500,000
Net (repayment) proceeds from long-term loans	(3,049,902)	4,893,181
Net proceeds from Sukuk	1,562,990	-
Dividends paid to shareholders and Board of Directors’ remuneration	(532,700)	(537,603)
Net cash from financing activities	11,950,388	11,855,578
NET CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	(4,260,838)	78,848
Cash and cash equivalents, beginning of the year	7,306,624	7,227,776
CASH AND CASH EQUIVALENTS, END OF THE YEAR	3,045,786	7,306,624
NON-CASH TRANSACTION:		
Change in fair value of hedging contracts	61,122	(43,942)

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012
(In Thousands Saudi Riyals)

	Note	Share Capital	Statutory Reserve	General Reserve	Retained Earnings	Change in Fair Value for Hedging Contracts	Total
For The Year Ended 31 December 2011							
Balance as at 1 January 2011- before adjustments		41,665,938	1,333,176	536,177	7,122,345	-	50,657,636
Prior years adjustments	30	-	-	-	-	(387,928)	(387,928)
Balance as at 1 January 2011 - adjusted		41,665,938	1,333,176	536,177	7,122,345	(387,928)	50,269,708
Dividends to shareholders for 2010	26	-	-	-	(547,252)	-	(547,252)
Board of Directors' remuneration for 2010	27	-	-	-	(761)	-	(761)
Net income for the year		-	-	-	2,213,159	-	2,213,159
Net change in fair value of hedging contracts		-	-	-	-	(43,942)	(43,942)
Adjustment of electricity fee collected from individuals	22	-	-	2,166	-	-	2,166
Transfer to statutory reserve		-	221,316	-	(221,316)	-	-
Balance as at 31 December 2011		41,665,938	1,554,492	538,343	8,566,175	(431,870)	51,893,078
For The Year Ended 31 December 2012							
Dividend to shareholders for 2011	26	-	-	-	(547,252)	-	(547,252)
Board of Directors' remuneration for 2011	27	-	-	-	(705)	-	(705)
Net income for the year		-	-	-	2,561,066	-	2,561,066
Net change in fair value of hedging contracts		-	-	-	-	61,122	61,122
Adjustment of electricity fee collected from individuals	22	-	-	1,987	-	-	1,987
Transfer to statutory reserve		-	256,107	-	(256,107)	-	-
Balance as at 31 December 2012		41,665,938	1,810,599	540,330	10,323,177	(370,748)	53,969,296

The accompanying notes form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012
1. ORGANIZATION AND ACTIVITIES

The Saudi Electricity Company “the Company” was formed pursuant to the Council of Ministers' Resolution Number 169 dated 11 Sha'ban 1419H corresponding to 29 November 1998, which reorganized the Electricity Sector in the Kingdom of Saudi Arabia by merging the majority of the local companies that provided electricity power 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 related to the Ministry of Industry and Electricity (11 operating projects that covered various areas in the north of the Kingdom) in Saudi Electricity Company.

The Company was founded 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 Resolution Number 2047 dated 30 Dhu Al Hijjah 1420H corresponding to 5 April 2000 as a Saudi joint stock company and was registered in Riyadh under Commercial Registration Number 1010158683, dated 28 Muharram 1421H corresponding to 3 May 2000.

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

The Company is a tariff regulated company. 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 electrical consumption at peak times. This tariff was implemented starting 19 Rajab 1431H, corresponding to 1 July 2010.

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

ORGANIZATION AND ACTIVITIES – (continued)

Following are the list of subsidiaries included in these consolidated financial statements:

Name of Subsidiary	Country of incorporation	Ownership Percentage (direct & indirect)	Business Activity
National Electricity Transmission Company	Saudi Arabia	100%	Transmission power from generating stations to distribution network and operating and maintenance of electricity transmission system
Electricity Sukuk Company	Saudi Arabia	100%	Provide services and support needed in relation of issuing bonds and Sukuk by Saudi Electricity Company

Dawiyat Telecom Company	Saudi Arabia	100%	Establishing, leasing, managing and operating electricity and fiber optic networks to provide telecommunications services
Morjan for Electricity Production Company (under formation)	Saudi Arabia	100%	Establishing, developing, ownership, operating and maintenance of Rabigh project for Electricity production
Saudi Electricity Global Sukuk Company	Cayman Islands	100%	Provide services and support needed in relation of issuing bonds and Sukuk by Saudi Electricity Company

2. Basis of Consolidation

The Company starts consolidating the financial statements of National Electricity Transmission Company and other subsidiaries during the year ended 31 December 2012. The Company decided to separate the transmission sector and transfer its related operating assets and operations to National Electricity Transmission Company which started its operations in 1st of January 2012, therefore these consolidated financial statements for the year ended 31 December 2012 includes the assets, liabilities and operating results of the Company and its subsidiaries (the “Group”) mentioned in note (1) above “consolidated financial statements”.

A subsidiary company is that in which the Company has directly or indirectly a long term investment comprising an interest of more than 50% in the voting capital or over which it exercises practical control. A subsidiary company is consolidated from the date of which the Company obtains control until the date that control ceases.

The Group's intercompany balances and transactions have been eliminated in these consolidated financial statements.

3. Summary of Significant Accounting Policies

The accompanying consolidated financial statements have been prepared in accordance with the Accounting Standards issued by the Saudi Organization for Certified Public Accountants (SOCPA). The significant accounting policies adopted are as follows:

Accounting Convention

The consolidated financial statements are prepared under the historical cost convention except for the measurement of fair value of investments, derivative financial instruments and government loans (received after 1 January 2009).

Accounting Estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on management's best knowledge of current events and actions at the reporting date, the actual results ultimately may differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and at bank balances, time deposits, and other investments which are convertible into known amounts of cash with maturities of three months or less from the date of deposit.

Electricity Consumers Receivables

Electricity consumer receivables represent the amount not collected from the consumers at the consolidated balance sheet date, and are shown net of provision for doubtful receivables.

Inventories

Generation, transmission, distribution and other materials and fuel inventory are stated at lower of cost or market value and calculated using the weighted average cost, net of provision for slow moving and obsolete items.

Inventory items that are considered an integral part of the generation plants, transmission and distribution networks, and other facilities such as strategic and reserve materials, are included in within fixed assets.

Investments

Investments in Companies' Equities

Investments in companies of which the Group hold at least 20% of interest are accounted for using the equity method, whereby the investment is initially stated at cost, adjusted thereafter by the post acquisition change of the Group's share in the net assets of the investee company. The Group's share in the results of these Companies is recognised in consolidated statement of income when investees' financial statements are issued.

Investments of less than 20% of share capital of unquoted Companies are stated at cost is considered as fair value. Income from these investments is recognised in consolidated statements of income when dividends are declared by the investee companies.

Investments Held to Maturity

Investments that are acquired with the intention of being held to maturity are carried at cost (adjusted for any premium or discount), less any other than temporary decline in value. Such investments are classified as non-current assets with the exception of bonds which mature during the next fiscal year, which are classified as current assets. Income from these investments is recognized in the consolidated statement of income when realized.

Fixed Assets

Fixed assets are stated at historical cost and, except for land, are depreciated over their estimated operational useful lives using the straight line method. Cost includes the cost of acquisition from supplier, direct labor, indirect construction costs, and borrowing costs up to the date the asset is placed into service. Costs of fixed assets sold or otherwise disposed off and related accumulated depreciation are removed from the accounts at the date of the sale or disposal. The resulting gain or loss is recognized in the consolidated statement of income.

Expenditure for repair and maintenance are charged to the consolidated statement of income. Betterments that increase the value or materially extend the life of the related assets are capitalized.

The estimated operational useful lives are as follows:

Buildings	20 to 30 years
Generation plant, equipment and spare parts	20 to 25 years
Transmission network, equipment and spare parts	20 to 30 years
Distribution network, equipment and spare parts	15 to 25 years
Other assets	4 to 20 years

Impairment of noncurrent assets

The Group conducts periodic review of the carrying amount of its non-current assets to determine whether there is any evidence that those non-current assets have suffered an impairment loss. If such evidence exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of that asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are immediately recognized as an expense in the consolidated statement of income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised recoverable amount, provided that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately in the consolidated statement of income.

Capitalization of borrowing costs

Net borrowing cost which represents finance charges on long-term loans and any other finance costs charged to the Group net of any commission income for the year, is capitalized on all significant projects-in-progress with significant amount that require long period of time for construction. The borrowing cost capitalized on each project is calculated using the capitalization rate on the average amounts incurred on each project in progress.

Fixed-term government loan

The fixed-term government loan is recognized at present value using an estimated discount rate for Group’s borrowing (for loans received after 1 January 2009). The difference between the amount received and the present value is recorded as deferred revenues (government grant) and presented under long-term government payables caption and recognized over the remaining years of the loan against the corresponding expenses.

Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments to hedge its cash flow exposures to interest rates. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured for any changes in its fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from the changes in the fair value of derivatives determined as effective cash flow hedges are taken directly to the shareholders’ equity, while the ineffective portion of cash flow hedges, is recognised in the consolidated statement of income. For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecasted transaction or the foreign currency risk in an unrecognised firm commitment.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument previously recognised in shareholders’ equity is retained till the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss previously recognised in shareholders’ equity is transferred to the consolidated statement of income.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provision for employees’ indemnity

Employees’ indemnity consists of the following:

Provision for end of service benefits:

The end of service benefits are calculated in accordance with the Labor Law in the Kingdom of Saudi Arabia and charged monthly to the consolidated statement of income

Employees’ saving fund:

The Group contributes in saving fund for the eligible employees based on an approved policy. The Group’s share of the contribution in saving fund is charged monthly to the consolidated statements of Income.

Zakat provision

Zakat is provided in accordance with the Regulations of the Department of Zakat and Income Tax in the Kingdom of Saudi Arabia. Adjustments arising from final Zakat assessment, if any, are recorded in the consolidated statement of income for the year in which such assessment is obtained.

Statutory reserve

In accordance with the Regulations for Companies and the Company’s by-laws, 10% of net income for the year is transferred to statutory reserve. The Company’s General Assembly may discontinue such transfer when the reserve equals 50% of the share capital.

Revenues

Revenue from electricity sales is recognized when bills are issued to consumers based on the consumption of electric power measured by Kilowatt/hour. Revenue on power consumed by consumers but not yet billed at the consolidated balance sheet date are accrued for.

Revenue from meter reading, maintenance and bills preparation tariff represents the monthly fixed tariff based on the capacity of the meter used by the subscribers, and is recognized when bills are issued. Revenue from meter reading, maintenance and bills preparation tariff not billed at the consolidated balance sheet date is accrued for.

Electricity service connection tariff received from consumers is deferred and recognized on a straight-line basis over the average useful lives of the equipment used in serving the subscribers, estimated to be 20 years.

Expenses

Operation and maintenance expenses include expenses relating to generation, transmission, and distribution activities as well as their allocated portion of the general services and supporting activities’ expenses. The remaining portion of these expenses is included under General and Administrative expenses. General services and supporting activities expenses are allocated between the main activities based on the benefits received and are evaluated periodically.

Earnings (loss) per share for the year

Earnings (losses) per share is calculated using the weighted average number of outstanding shares at the end of the year , including government

shares. Earnings (loss) per basic share from operating activities is calculated by dividing income (loss) from operations on the weighted average number of shares. Earnings (loss) per basic share from net income (loss) is calculated by dividing net income (loss) on weighted average of number of shares.

Foreign currency transactions

Transactions denominated in foreign currencies are translated into Saudi Riyals at exchange rates prevailing at the date of such transactions. Monetary assets and liabilities denominated in foreign currencies at the consolidated balance sheet date are translated into Saudi Riyals at the exchange rates prevailing at that date. Any realized or unrealized exchange gains or losses arising from such translations are recorded in the consolidated statement of income.

4. Cash and Cash Equivalents

	2012	2011
	SR'000	SR'000
Cash on hand	3,352	3,040
Cash at banks	1,332,951	1,767,994
Short-term deposits	1,709,483	5,535,590
Total	3,045,786	7,306,624

5. Receivables From Electricity Consumers And Accrued Revenues, Net

	2012	2011
	SR'000	SR'000
Electricity subscribers' receivable		
Governmental institutions	4,364,978	2,870,026
Commercial and residential	4,232,203	4,861,644
VIPs consumers	2,501,513	2,359,212
Saudi Aramco	2,228,922	1,908,179
Electricity connection receivables	1,359,573	1,011,039
Saline Water Conversion Corporation	231,579	335,981
Total electricity subscribers' receivable	14,918,768	13,346,081
Less: Provision for doubtful receivables	(2,753,079)	(2,500,596)
Net electricity subscribers' receivable	12,165,689	10,845,485
Add: Accrued revenues	1,261,571	1,181,715
Total	13,427,260	12,027,200

The movement in the provision for doubtful receivables during the years as follows:

	2012	2011
	SR'000	SR'000
Balance at the beginning of the year	2,500,596	2,378,875
Charge for the year	252,483	121,721
Balance at the end of the year	2,753,079	2,500,596

6. Prepayments and Other Receivables, Net

	2012	2011
	SR'000	SR'000
Advances to contractors and suppliers	4,208,215	3,899,552
Other government receivables	244,173	244,173
Outstanding letters of credit	158,247	191,431
Prepaid expenses	47,126	10,477
Other receivables, net	596,881	568,781
Total	5,254,642	4,914,414
Less: Provision for other doubtful receivables	(60,789)	(60,789)
Total	5,193,853	4,853,625

7. Inventories, Net

	2012	2011
	SR'000	SR'000
Generation plant materials and supplies	3,004,718	3,086,034
Distribution network materials and supplies	2,131,952	1,792,098
Transmission network materials and supplies	343,475	289,494
Fuel and oil	401,477	326,160
Other	375,194	333,085
	6,256,816	5,826,871
Less: Provision for slow-moving inventory	(435,343)	(264,021)
Total	5,821,473	5,562,850

The movement of provision for slow-moving inventories during the years as follows:

	2012	2011
	SR’000	SR’000
Balance at the beginning of the year	264,021	201,061
Charge for the year	171,322	62,960
Balance at the end of year	435,343	264,021

8. Equity Investments in Companies and Others

	2012	2011
	SR’000	SR’000
Investments accounted for under the equity method (a)	1,790,162	1,853,892
Other investments, at cost (b)	125,650	125,650
Held to maturity investments (c)	275,000	425,000
Total	2,190,812	2,404,542

A. Investments accounted for under the equity method

	Ownership	2012	2011
	%	SR’000	SR’000
Gulf Cooperation Council Interconnection Authority (a-1)	31.6%	1,768,428	1,830,937
Water and Electricity Company (a-2)	50%	14,182	13,955
Hajr for Electricity Production Company (a-3)	50%	5,000	5,000
Rabigh Electricity Company (a-4)	20%	552	2,000
Dhuruma Electricity Company (a-5)	50%	2,000	2,000
Total		1,790,162	1,853,892

(A-1) Gulf Cooperation Council Interconnection Authority

The Company has contributed in the capital of the Gulf Cooperation Council Interconnection Authority (hereafter referred to as “GCCIA”) at inception to enhance the electricity transmission and distribution between the member countries. The Company’s contribution in GCCIA amounts to USD 484.80 million equivalent to SR 1,818 million.

(A-2) Water and Electricity Company

The Company entered into a partnership agreement with Saline Water Conversion Corporation to establish a limited liability company in the

name of “Water and Electricity Company” pursuant to the Supreme Economic Council’s Decision No. 5/23 dated Rabi’Al-Awal 23, 1423H which encourages the participation of the private sector in the water desalination project. The Company’s share at inception amounting to SR 15 million was paid in full and consists of 300,000 share representing 50% of the investee’s share capital.

(A-3) Hajr for Electricity Production Company

Pursuant to the Board of Directors’ Resolution No. 4/95/2010 dated Ramadan 12, 1431H corresponding to August 22, 2010 the Company established Hajr for Electricity Production Company with a share capital of SR 2 million. During 2011, a new partner has been admitted and the capital has been increased by SR 8 million to become SR 10 million. The company’s share represents 50% of the partners’ shareholding.

(A-4) Rabigh Electricity Company

Based on the company’s Board of Directors Resolution No. 06/76/2008 dated Jumada Al-Awal 26, 1429H corresponding to June 3, 2008, the Company established Rabigh Electricity Company. The Company’s share capital amounting to SR 2 million was paid in full and represents 100% of the investee’s share capital.

During the third quarter of 2009, Rabigh Electricity Company increased its capital from SR 2 million to SR 10 million by admission of new partners which resulted in the decrease of Saudi Electricity Company’s share from 100% to 20%.

(A-5) Dhuruma Electricity Company

Based on the company’s Board of Directors Resolution No. 4/88/2009 dated Ramadan 18, 1430H corresponding to September 8, 2009, the Company established Dhuruma Electricity Company (a closed joint stock company) with a share capital of SR 2 million. During 2011, a new partner has been admitted and the capital has been increased by SR 2 million to become SR 4 million. The company’s share represents 50% of the share capital.

B. Other investments, at cost

	Ownership	2012	2011
	%	SR’000	SR’000
Al-Shuaiba Water and Electricity company	8%	124,840	124,840
Al-Shuqaiq Water and Electricity company	8%	400	400
Al-Jubail Water and Electricity company	5%	250	250
Al-Shuaiba Holding Company	8%	160	160
Total		125,650	125,650

C. Held to maturity investments

	2012	2011
	SR’000	SR’000
Saudi Basic Industries Corporation Sukuk	150,000	300,000

Bin Laden Company Sukuk	50,000	50,000
SABB bonds “Saudi British Bank”	50,000	50,000
SATORP Company Sukuk	25,000	25,000
Total	275,000	425,000

D. Share in net (loss) earnings of investees accounted for under equity method

	2012	2011
	SR’000	SR’000
Gulf Corporation Council Interconnection Authority	(62,510)	(45,905)
Water and Electricity Company	227	158
Rabigh Electricity company	(1,446)	-
Total	(63,729)	(45,747)

9. Construction Work in Progress

2012						
SR’000						2011
	Generation Projects	Transmission Projects	Distribution Projects	General projects	Total	Total
At the beginning of the year	10,468,360	6,374,291	5,082,281	335,879	22,260,811	26,038,186
Additions during the year	18,480,810	9,746,265	8,928,717	988,217	38,144,009	28,971,553
Transfer to fixed assets	(6,053,943)	(4,246,335)	(9,461,420)	(753,573)	(20,515,271)	(32,748,928)
Balance at 31 December 2012	22,895,227	11,874,221	4,549,578	570,523	39,889,549	
Balance at 31 December 2011	10,468,360	6,374,291	5,082,281	335,879		22,260,811

Net borrowing cost capitalized on projects under construction during the year amounted to SR 1,222 million (2011: SR 1,151 million).

10. Fixed Assets, Net

	Land SR'000	Buildings SR'000	Machinery and equipment SR'000	Capital spare parts SR'000	Vehicles and heavy equipment SR'000	Others SR'000	Total 2012 SR'000	Total 2011 SR'000
Cost:								
At the beginning of the year	1,635,666	15,634,575	271,852,115	3,796,851	1,372,535	3,555,115	297,846,857	265,093,162
Additions	150,112	1,016,357	18,670,506	274,189	-	748,930	20,860,094	32,989,109
Disposals	-	(1,722)	(342,632)	-	(44,609)	(1,766)	(390,729)	(235,414)
At the end of the year	1,785,778	16,649,210	290,179,989	4,071,040	1,327,926	4,302,279	318,316,222	297,846,857
Depreciation:								
At the beginning of the year	-	9,724,320	124,273,085	1,995,821	1,057,523	2,122,849	139,173,598	129,458,176
Charge for the year	-	559,596	9,565,801	126,413	90,878	493,193	10,835,881	9,937,060
Disposals	-	(1,685)	(297,297)	-	(44,609)	(1,766)	(345,357)	(221,638)
At the end of the year	-	10,282,231	133,541,589	2,122,234	1,103,792	2,614,276	149,664,122	139,173,598
Net book amounts:								
At 31 December 2012	1,785,778	6,366,979	156,638,400	1,948,806	224,134	1,688,003	168,652,100	
At 31 December 2011	1,635,666	5,910,255	147,579,030	1,801,030	315,012	1,432,266		158,673,259

Included in land are plots of land with book value of SR 276 million, the title deeds of which have not yet been transferred to the Company's name.

Net book value of the Group's fixed assets is allocated to the main activities as follows:

	2012				
	SR'000				
	Generation	Transmission	Distribution	General Property	Total
Land	238,335	587,455	225,151	734,837	1,785,778
Buildings	2,561,834	2,697,919	189,048	918,178	6,366,979
Machinery & equipment	63,324,685	47,920,744	45,106,974	285,997	156,638,400
Capital spare parts	1,493,202	401,649	53,765	190	1,948,806
Vehicles and heavy equipment	-	-	-	224,134	224,134
Others	683,607	355,330	172,296	476,770	1,688,003
	68,301,663	51,963,097	45,747,234	2,640,106	168,652,100

	2011				
	SR'000				
	Generation	Transmission	Distribution	General Property	Total
Land	245,285	587,443	225,243	577,695	1,635,666
Buildings	2,722,760	2,120,588	152,154	914,753	5,910,255
Machinery & equipment	61,584,469	46,955,880	38,746,741	291,940	147,579,030
Capital spare parts	1,365,071	415,759	20,017	183	1,801,030
Vehicles and heavy equipment	-	-	-	315,012	315,012
Others	900,059	394,846	44,714	92,647	1,432,266
	66,817,644	50,474,516	39,188,869	2,192,230	158,673,259

Depreciation expenses charged to various activities during the year ended December 31 is as follows:

	2012	2011
	SR'000	SR'000
Generation depreciation expense	4,632,938	4,199,706
Transmission depreciation expense	2,950,727	2,788,722
Distribution depreciation expense	2,938,679	2,613,351
General property depreciation expense	313,537	335,281
	10,835,881	9,937,060

11. Accounts Payable

	2012	2011
	SR'000	SR'000
Saudi Aramco for fuel cost	57,200,552	51,419,456
Transferred to Government account (a)	(40,959,482)	(40,959,482)
Saudi Aramco payable for fuel cost	16,241,070	10,459,974
Saline Water Conversion Corporation for energy purchased	8,836,619	8,453,968
Municipality fees	3,723,515	3,241,135
Advances received for construction of projects	2,367,238	633,768
Contractors and retention payables	755,294	761,301
Payables to suppliers	657,721	99,444
Other (b)	1,927,720	2,591,612
	34,509,177	26,241,202

A. These amounts represent payables for fuel for the period from April 5, 2000 to December 31, 2009 which have been transferred from the liability to Saudi Aramco to non-current government liability. (Note 19)

B. Other payables include SR 1,280 million (2011: SR 1,280 million) which are still under reconciliation between the Company and the Government and pertain to prior-merger account (refer to Note 1).

12. Accruals and Other Payables

	2012	2011
	SR'000	SR'000
Accrued expenses	3,550,470	3,631,647
Accrued employees' benefits	426,962	370,139
Dividends payable *	355,197	339,940
Accrued interests on loans	170,311	82,389
Other	232,789	181,827
	4,735,729	4,605,942

- Dividends payable as of December 31, 2012 include unclaimed cash dividends declared by Saudi Consolidated Electricity Company prior to merge, amounting to SR 88.6 million (2011: SR 91.5 million).

13. Zakat
The major components of zakat base are as follows:

	2012	2011
	SR'000	SR'000
Net income before zakat	2,561,066	2,213,159
Add: Zakat adjustment	(10,313,776)	(12,296,312)
Net adjusted loss	(7,752,710)	(10,083,153)

Zakat base is calculated as follows:

	2012	2011
	SR'000	SR'000
Share Capital	41,665,938	41,665,938
Net adjusted loss	(7,752,710)	(10,083,153)
Retained reserves	2,092,835	1,869,353
Retained earnings	8,018,923	7,123,345

Retained allowances	6,971,363	7,050,373
Long term loans and sukuk	27,664,986	36,816,001
Government loans and payables	81,861,719	67,891,719
Consumers deposits, contractors accruals and others	2,478,119	2,558,748
Total	163,001,173	154,892,324
Deduct:		
Fixed assets and construction work in progress, net	(130,037,634)	(131,259,163)
Difference on depreciation of fixed assets for previous years	(65,111,874)	(41,576,007)
Long term investments	(2,254,541)	(2,406,042)
Material and spare parts inventories	(4,384,116)	(4,218,398)
Zakat base (negative)	(38,786,992)	(24,567,286)

No Zakat is due on the Company for the year ended 31 December 2012 as the net adjusted loss and zakat base is negative.

The Company has received the final assessments for the period ended in December 2001and also for the years from 2002 to 2008 which showed Zakat differences of SR 37.5 million for the period ended in 31 December 2001 and the years 2002, 2003 and 2004. The Company filed appeals against these differences which are still pending with the Department of Zakat and Income Tax (DZIT). The Company filed its Zakat returns for the years 2009 to 2011 and are still under review by DZIT.

14. Long-term Loans

	2012	2011
	SR'000	SR'000
At the beginning of the year	16,714,888	11,821,707
Withdrawal during the year	107,171	6,084,670
Repayments during the year	(3,157,073)	(1,191,489)
At the end of the year	13,664,986	16,714,888
Less: Current portion	(1,468,000)	(3,133,100)
Long-term balance at the end of the year	12,196,986	13,581,788

The maturities of long term installments for the next years as of December 31 are as follows:

	2012	2011
	SR'000	SR'000
After one year	1,469,701	1,468,000
Between two to three years	1,478,631	1,468,000
Between three to four years	1,478,631	1,468,000
Between four to five years	1,478,631	1,468,000
After five years	6,291,392	7,709,788
	12,196,986	13,581,788

- A. On 28 July 2008, the Company obtained a sharia-compliant loan for SR 6 billion from syndicates of local banks which has been fully withdrawn. The loan is repayable over 22 semi-annual installments starting 3 November 2009. The loan balance amounted to SR 4.1 billion as of 31 December 2012 (2011: SR 4.6 billion).
- B. The Company agreed with U.S. Export-Import Bank, and the Export Development Bank of Canada on 21 June 2009 and signed a financing agreement on 27 January 2010, whereby the Company will receive a direct loan amounting to US\$ 1.1 billion equivalent to approximately SR 4.1 billion which has been fully withdrawn. The loan is repayable within 12 years over 24 semi-annual installments starting 25 May 2010. The loan balance amounted to SR 3 billion as of 31 December 2012 (2011: SR 3.4 billion).
- C. On 13 July 2009, the Company signed a financing agreement with the Public Investments Fund whereby the Company will receive a direct loan of SR 2.6 billion which has been fully withdrawn. The loan is repayable within 15 years over 24 semi-annual installments. The loan balance amounted to SR 2.5 billion as of 31 December 2012 (2011: SR 2.6 billion).
- D. On 13 December 2010, the Saudi Electricity Company signed an agreement with a syndicate of local banks, whereby the Company will obtain a sharia - compliant loan of SR 5 billion, repayable over 26 semi-annual installments after 24 months from the date of signing the agreement. The loan balance amounted to SR 0.5 billion as of 31 December 2012 (2011: SR 0.5).
- E. On 22 June 2011, the Company signed an agreement withinternational lenders guaranteed by Coface French Export Credit Agenc, The Company will receive a loan amounting to US\$ 989.1 million equivalent to SR 3.7 billion which had been fully withdrawn. The loan is repayable within 12 years over 24 semi-annual installments starting 11 January 2012. The loan balance amounted to SR 3.4 billion as of 31 December 2012 (2011:SR 3.7).
- F. The Company signed a loan agreement guaranteed by two Export Korean banks (K Sure and K Exim) where a group of international banks participated in financing the loan led by HSBC Group, Bank of Tokyo-Mitsubishi , Sumitomo Mitsui Banking Corporation, Mizuho Bank and KFW-IPEX. The Company will receive a loan amounting to SR 5.3 billion equivalent to approximately US\$ 1,400 million for a period of 15 years. The loan is repayable over 12 years in equal semi-annual installments starting after grace period of 3 years. The loan balance amounted to SR 107 million as of 31 December 2012

Long term loans mentioned above are used to finance the construction work in progress projects, and secured by promissory notes signed by the Company at the nominal amount of the loan plus the interest payments and/or Murrabaha Margin.

The Company has an unutilized credit facilities with local banks amounting to SR 1 billion as at 31 December 2012 (2011: SR 1 billion).

15. Sukuk

The outstanding Sukuk as of 31 December 2012 are as follows:

Local Sukuk:

Issue	Date of issue	Par value	Total issued amount	Maturity date
Sukuk 2	6 July 2009	SR 100,000	SR 7 Billion	2029
Sukuk 3	10 May 2010	SR 10,000	SR 7 Billion	2030

The above Sukuk have been, issued at par value with no discount nor 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 Company.

The Company has undertaken to purchase these Sukuk from Sukuk holders at dates specified in prospectus. For each purchase date, the Company shall pay an amount equal 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%
Issue	First purchase date	Second purchase date	Third purchase date
Sukuk 2	2014	2019	2024
Sukuk 3	2017	2020	2025

On 15 July 2012, the Company fully purchased the assets of its first Sukuk issued (Sukuk1) amounting to SR 5 billion.

Global Sukuk:

During April 2012 the Company issued Sukuk amounting to SR 6.6 billion equivalent to approximately US\$ 1,750 million where the issuance consists of two types of Sukuk certificates. The first type amounting to US\$ 500 million mature after 5 years with fixed rate of 2.665%, the second type amounting to US\$ 1,250 million mature after 10 years with fixed rate of 4.211%.

16. Employees’ Indemnities

	2012	2011
	SR’000	SR’000
Provision for end-of-service indemnities	4,354,255	4,536,870
Employee savings fund	394,475	301,639
Human recourses productivity improvement program (the Program)-(a)	419,451	-
	5,168,181	4,838,509

- (a)
- This amount represents the present value of future payments which the Company has commitment to pay according to the program’s plan and conditions. The objective of this program is to improve and align human recourses with business requirements.

17. Deferred Revenues, Net

	2012	2011
	SR’000	SR’000
Balance at the beginning of the year	20,469,575	16,736,945
Proceeds from connection tariff services during the year	3,335,916	5,063,163
Electrical connection tariff	(1,515,790)	(1,330,533)
	22,289,701	20,469,575

18. Government Loans

- A.
- Pursuant to the Ministerial resolution number 169 dated Sha’ban 11, 1419H, the net dues of the Government to the Saudi Electricity Company and the net dues of the Company to the Government were determined in accordance with rules and procedures stipulated in the minutes of meetings signed by his HE the Minister of Industry and Electricity and HE the Minister of Finance and National Economy dated Jumada Thani 27, 1418H corresponding to October 29, 1997. The net difference payable to the Government by the Company, as determined at the close of the business day preceding the issuance of the Royal Decree for the incorporation of the Company, is considered a non-interest bearing long term loan (soft loan) with a grace period of twenty five years starting from the date of the announcement of the incorporation of the Company. The loan is to be revisited later on subject to the financial condition of the Government and the Company.
The minutes of the meeting held on Rajab 21, 1422H 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 Company from Government entities, and the loan amount shall be adjusted accordingly. During 2005, the Company finalized the amount due which included the claims of the Company 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 Rajab 15, 1426H which brought the balance of Government loan amounted to SR 14.9 billion.
- B.
- The Council of Ministers approved in its meeting held on Monday 12 Jumada Al-Awal 1431H corresponding to 26 April 2010 to grant the Company a soft loan amounting to SR 15 billion repayable over 25 years. The loan will be paid to the Company within 2 years in accordance with an agreement that will be prepared for this purpose between the Ministry of Finance and the Saudi Electricity Company. The agreement was signed on 15 Ramadan 1431H, corresponding to 25 August 2010, this loan has been fully withdrawn as at 31 December 2012 (2011: SR. 11,3 billion). the Company recognized the amount received from the government loan above discounted at its present value as per the accounting policies in Note (3).
- C.
- The Council of Ministers approved in its meeting held on Monday 11 Rajab 1432H corresponding to 13 June 2011 to grant the Company a soft loan amounting to SR 51.1 billion repayable over 25 years, The loan will be paid to the Company within 5 years in accordance with an agreement that will be prepared for this purpose between the Ministry of Finance and the Saudi Electricity Company. An amount of SR 10.2 billion from this loan has been withdrawn as at 31 December 2012 (2011:nil). The Company recognized the amount received from the government loan above discounted at its present value as per the accounting policies in Note (3).

19. Long-term Government Payables

As shown in (note 11-a) the accounts payable for fuel for the period from 5 April 2000 to 31 December 2009 amounting to SR 41 billion has been transferred from current liabilities to non-current liabilities (long-term governmental payables) pursuant to the Ministerial minutes of meeting dated 15 Jumada Awal 1427H (corresponding to 11 June 2006) and 6 Safar 1433H (corresponding to 31 December 2011) and based on the Ministerial Resolution number 277, which resolved to transfer the Company's liability of Saudi Aramco Company (Saudi Aramco) to the Ministry of Finance account.

Also, the Government payable includes an amount of SR 16.8 billion represents the difference between the amount proceed from Government as a soft loans and the discounted present value of these loans (Note 18- (b) & (c)).

20. Derivatives

The Company entered into interest rate hedging contracts with several banks to hedge the fluctuation of interest rates on loans for an amount of SR 2.6 billion on 31 December 2012 (2011: SR 3.4 billion) which includes a US Dollar portion representing approximately 15% of the national amount. The hedging contracts are based on the swap between the Company and the banks of fixed rates against floating rates on the original loan amounts every six-months.

21. Share Capital

The share capital of the Company is SR 41,665,938,150 divided into 4,166,593,815 shares with a par value of SR 10 each and is held as follows:

	Numbers of shares	Ownership Percentage
Government	3,096,175,320	74,31%
Saudi Aramco	288,630,420	6,93%
Other shareholders	781,788,075	18,76%
	4,166,593,815	100%

22. General Reserves

General reserve consists of the balances of the reserves amounting to SR 213,668 Thousands that were reflected in the books of the Saudi Electricity Company at the date of the merger, and investment income from electricity fund of SR 294,976 as well as the collections of surcharge from individuals subsequent to December 31, 2001 amounting to SR 31,686 thousand up to December 31, 2012 (2011: SR 29,699 thousand). The total general reserve amounted to SR 540,330 thousand as at December 31, 2012 (2011: SR 538,343 thousand).

23. Operation and Maintenance Expenses

	2012 SR'000				2011 SR'000
	Generation	Transmission	Distribution	Total	Total
Employees' expenses and benefits	1,220,497	670,810	2,356,588	4,247,895	4,489,946
Materials	754,139	65,548	232,714	1,052,401	1,056,090
Operation and maintenance (contractors)	371,564	97,090	418,805	887,459	878,848
Provision for doubtful receivables	-	-	252,483	252,483	121,721
Provision for slow moving inventory	104,554	11,571	28,129	144,254	50,353
Municipality fees	-	-	482,814	482,814	436,969
Others	960,306	182,523	516,502	1,659,331	1,204,783
	3,411,060	1,027,542	4,288,035	8,726,637	8,238,710

24. General and Administrative Expenses

	2012 SR'000	2011 SR'000
Employees' expenses and benefits	209,872	279,414
Materials	44,926	42,729
Provision for slow moving inventory	27,068	12,607
Others	108,582	99,787
	390,448	434,537

25. Other Income and Expenses, Net

	2012 SR'000	2011 SR'000
Gain on disposal of fixed assets	85,556	25,860
Penalties	127,671	172,969
Share in net loss of investee companies accounted for under the equity method (Note 8-d)	(63,729)	(45,747)
Sale of tender documents	30,676	28,952
Others, net	115,732	224,715
	295,906	406,749

26. Dividends

In accordance with the Company's by-laws, dividends of at least 5% of paid in capital, net of reserve, should be distributed to shareholders, with due care to the provisions of the Council of Ministers' Resolution No. 169 dated 11 Sha'aban 1419H, whereby the Government has waived its share from 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 the share of other shareholders. The Government has agreed to extend this waiver for another ten years commencing from 30 Thul Hijja 1430H, based on the Council of Ministers' Resolution No. 327 dated 24 Ramadan 1430H.

The General Assembly, in its meeting held on 2 April 2012, approved to distribute of cash dividends for 2011 to individuals shareholders amounting of SR 547 million (SR 0.7 per share) representing 7% of the par value per share (2010: SR 547 million).

The board of directors in its meeting held on 14 Rabi Thani 1434H corresponding 24 February 2013, proposed to distribute cash dividends for 2012 to individuals shareholders amounting to SR 547 million. (SR 0.7 per share), representing 7% of the par value per share. These are subject to the approval of the Company's general meeting.

27. Board of Directors' Remuneration and Allowances

The expenses and allowances attributable to attending the board of directors meetings and other subcommittee meeting for the year amounted to SR 783 thousand (2011: SR 605 thousand).

The General Assembly has approved in its meeting held on 2 April 2012, Board of Directors' remuneration of SR 705 thousand from the retained earnings for the year 2011 (2010: SR 761 thousand).

The board of directors in its meeting held on 14 Rabi Thani 1434H corresponding 24 February 2013, proposed board's remuneration of SR 919 thousand after the distribution of dividends to individual shareholders not less than 5% of the share capital. This is subject to general meeting's approval.

28. Related Parties Transactions

The Company provides electricity power to governmental agencies, ministries and Saudi Aramco Company (Saudi Aramco). The rates applied are approved by the Council of Ministers and are similar to the rates applied to other consumers, except for the rates used for Saline Water Conversion Corporation (SWCC) which is in accordance with a government resolution. As for the residential property of Saudi Aramco, the Company believes that these should be charged the commercial tariff. However, Saudi Aramco has objected to this tariff and is settling the electricity sales for the properties based on the industrial tariff.

The Council of Ministers has issued a Resolution Number 114 on 10 Rabi Al-Thani 1430H to resolve this dispute and to charge Saudi Aramco on the basis of residential and commercial tariff instead of industrial tariff. Further, according to the resolution, The Electricity and Co-generation Regulatory Authority (the regulator) will have to specify the residential and commercial enterprises of Saudi Aramco and to identify the concerned party to handle the cost of construction, maintenance and operation for power stations and distribution networks. Accordingly, the Company, Saudi Aramco and the regulator held several meetings to settle this matter where the regulator has specified the disputed residential and commercial enterprises of Saudi Aramco.

The company executed the regulator decree number 49/432 dated 8 Jumada Awal 1432H classifying Saudi Aramco electricity consumption tariff during the year ended 31 December 2012 and the disputed residential and commercial enterprises mentioned above were identified and the difference should be calculated according to the regulator decree. Therefore, the agreed tariff were applied on Saudi Aramco consumption during the year ended 31 December 2012. Further, the Company has completed the calculation – from its part – for the previous years up to 31 December 2011 in according to regulator decree mentioned above and has submitted its invoices to Saudi Aramco with total amount of SR 730 million. However, the Company is still in process of completing the necessary procedures to record this revenue.

In addition, the Company purchases fuel from Saudi Aramco and electricity from Saline Water Conversion Corporation at rates stipulated for in the respective governmental resolutions. Also, fees are charged for municipalities on electricity power sales.

The significant transactions and related approximate balances are as follows:

	2012 SR'000	2011 SR'000
Sales		
Government	7,891,078	7,150,973
Saudi Aramco	1,634,046	1,490,989
Saline Water Conversion Corporation	183,818	194,021
	9,708,942	8,835,983
Purchases and others		
Saudi Aramco	6,161,196	5,514,247
Saline Water Conversion Corporation	532,633	573,407
Municipalities fees	482,815	436,969
	7,176,644	6,524,623

29. Contingent Liabilities

- A. There is a dispute between the Company and Saudi Aramco for handling crude oil fees. The disputed amount since the Company's inception on 5 April 2000 to 31 December 2012 amounted to approximately SR 3,291 million (2011: SR 2,886 million). The Company's management believes that there will be no liability on the Company based on the Royal Decree Number M/8 dated 25 Rajab 1415H as this matter was not discussed by the Ministerial Committee formed by the Royal Decree referred to above. Accordingly, the difference has not been recorded in the Company's books. In addition, Saudi Aramco is supplying the Company with light fuel oil rather than heavy fuel oil to one of its stations. This has resulted in an accumulated difference of SR 1,200 million (2011: SR 858 million) not accounted for in the Company's books.
- B. Saudi Aramco has also a claim for the settlement of its share in the annual dividends since inception to 31 December 2011, estimated at SR 2,140 million. The Company believes that Saudi Aramco has no right for this claim during the first 20 years of its formation since it is a wholly owned government agency and accordingly, is governed by the Ministerial Resolution No. 169 dated 11 Sha'aban 1419H and Ministerial Resolution No. 327 dated 24 Ramadan 1430H on extending the Government's waiver of its rights in the profits distributed by the Saudi Electricity Company for another ten years.
- C. The Company has long-term purchase energy agreements with independent power providers whereby the Company has undertake to purchase the whole energy produced by these providers according to specific terms and prices. These agreements are for periods up to 20 years, and renewable for further periods by mutual consent of both parties.
- D. The Company has provided guarantees to some of the commercial banks against its share in financing a loan granted to some of its investee companies. The guarantee amounted to US\$ 74 million equivalent to SR 278 million as of 31 December 2012 (2011: US\$ 117 million equivalent to SR 440 million). In addition, the Company has provided a guarantee for the Department of Zakat and Income Tax amounting to SR 37,5 million (2011: SR 13 million).
- E. The Company is contingently liable against outstanding letters of credit amounting to SR 1,2 million as of the consolidated balance sheet date (2011: SR 0,3 million).

30. Prior Years Adjustments

At the end of the first quarter of year 2011, the Company has evaluated the derivative financial instruments of the hedging contracts related to fixed versus floating interest rate swaps. Consequently, the opening balances of the shareholders' equity change in fair value of hedging contracts – have been restated by SR 388 million as of 1 January 2011.

31. Capital Commitments

These comprise the unexecuted portion – as of the consolidated balance sheet date - of capital contracts conducted by the Company for the erection and installation of power plants and other assets approximately amounting to SR 81,033 million (2011: SR 48,073 million). It is anticipated that these contracts to be completed between one to three years.

32. Risk Management

Financial instruments included in the consolidated balance sheet consist mainly of cash and cash equivalents, accounts receivable other assets, bank loans, account payable, accrued liabilities and other non-current liabilities.

Credit Risk

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Group has proper diversification as of credit risk. Cash is substantially placed at financial institutions with sound investment grade credit ratings. Trade accounts receivable are shown, net of provision for doubtful debts..

Commission Rate Risk

Commission rate risk is the risk that the values of financial instrument will fluctuation due to changes in the market commission rates. The Group has no long-term assets commission bearing assets, but has liabilities associated with commission rates as of December 31, 2012. The Group manages its floating-rate loans through the use of commission rates hedging agreements, which have the economic effects to transfer the interest on the loans from floating to fixed rate.

Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The Group manage liquidity risk by ensuring that sufficient funds are available to meet its future commitments.

Currency Risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The management monitors the fluctuations in currency exchange rates and charge the results to consolidated financial statements accordingly.

Fair Value Risk

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. As the Group's financial instruments are prepared under the historical cost convention, differences can arise between the carrying values and fair value estimates. Management believes that the fair values of the Group's financial assets and liabilities are not materially different from their carrying values.

33. Segment Reporting and Future Restructure for The Group's Activities

The Group's main operating activities are divided into generation, transmission and distribution activities. These activities complement each other in delivering electricity to the consumer. The Group's revenue is currently recognized from selling electricity to the end consumer based on the official Tariff set by the government. all group's operations are based in the Kingdom of Saudi Arabia.

The Group is in process of applying integrated plan to spin off its principal activities to different independent entities and develop inter-face selling prices. Therefore revenues and expenses will be specified for each entity upon completion of such process. As part of the plan, National Electricity Transmission Company was established and basis of inter-company transaction agreements were approved by the board of directors. The National Electricity Transmission Company started its operations in 1 January 2012, its main activities are in the transmission of power from generating stations to distribution network and operating and maintenance of electriciry transmission system.

The financial information of Saudi Electricity Company presented in the following table include the generating and distributing segments in addition to the head office, as the procedures of spinning-off the generation and distribution segments is still in process – till the date of consolidated financial statements preparation date- as part of the Group's spin off integrated plan.

Following are the important financial data of the main group companies:

	Saudi Electricity Company	National Electricity Transmission Company	Other Subsidiaries	Inter-Company Balances	Total
	SR'000	SR'000	SR'000	SR'000	SR'000
As of 31 December 2012					
Fixed assets, net	116,689,002	51,963,098	-	-	168,652,100
Total assets	259,502,616	58,931,030	29,420	(79,876,733)	238,586,333
Total liabilities	207,003,910	47,468,053	18,303	(69,873,229)	184,617,037

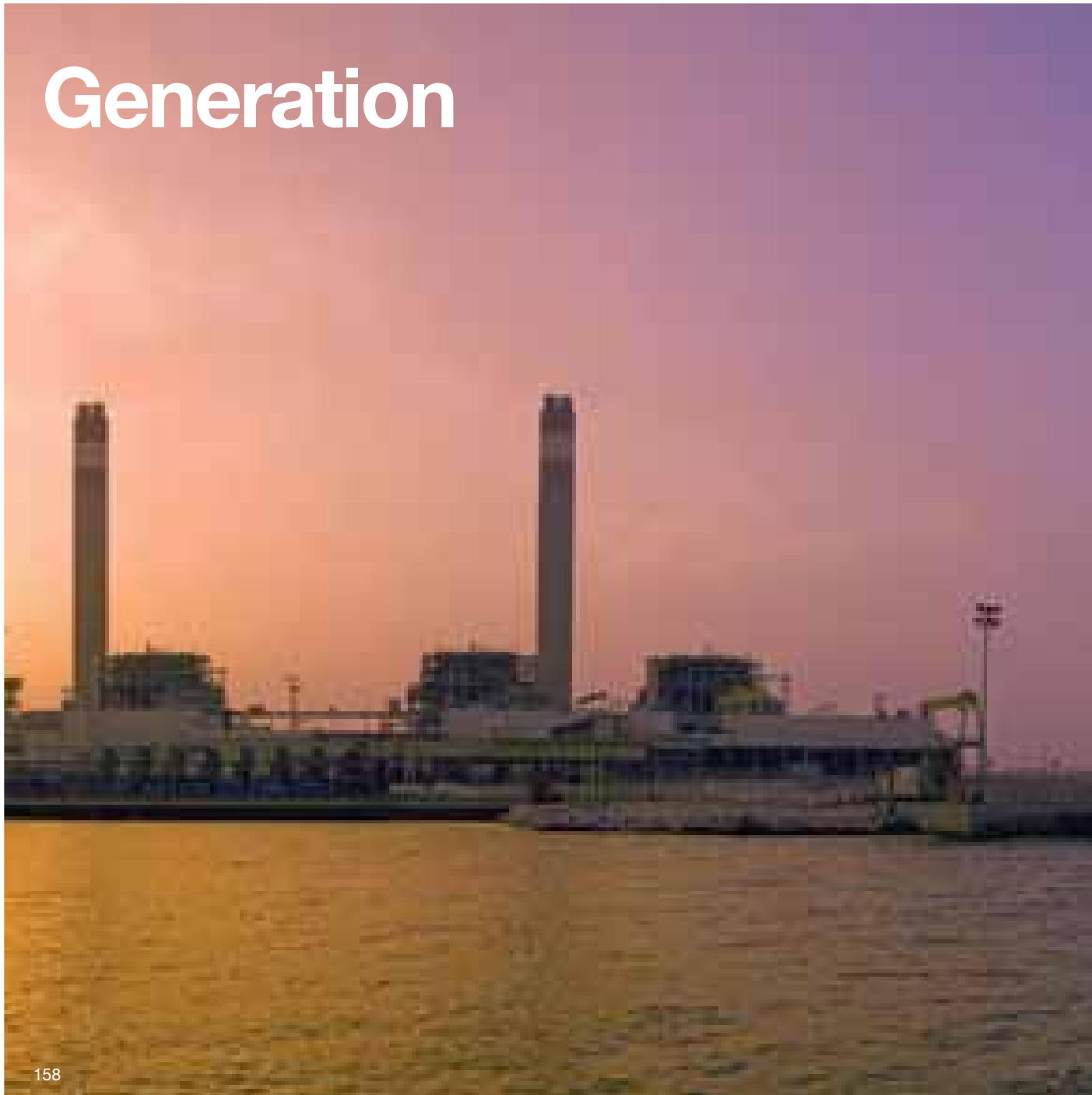
Due to the spinning –off of National Electricity Transmission Company on 1 January 2012 the comparable period data are not applicable, the procedures of accounting and approving revenues and expenses between National Electricity Transmission Company and the Company is still under process

34. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

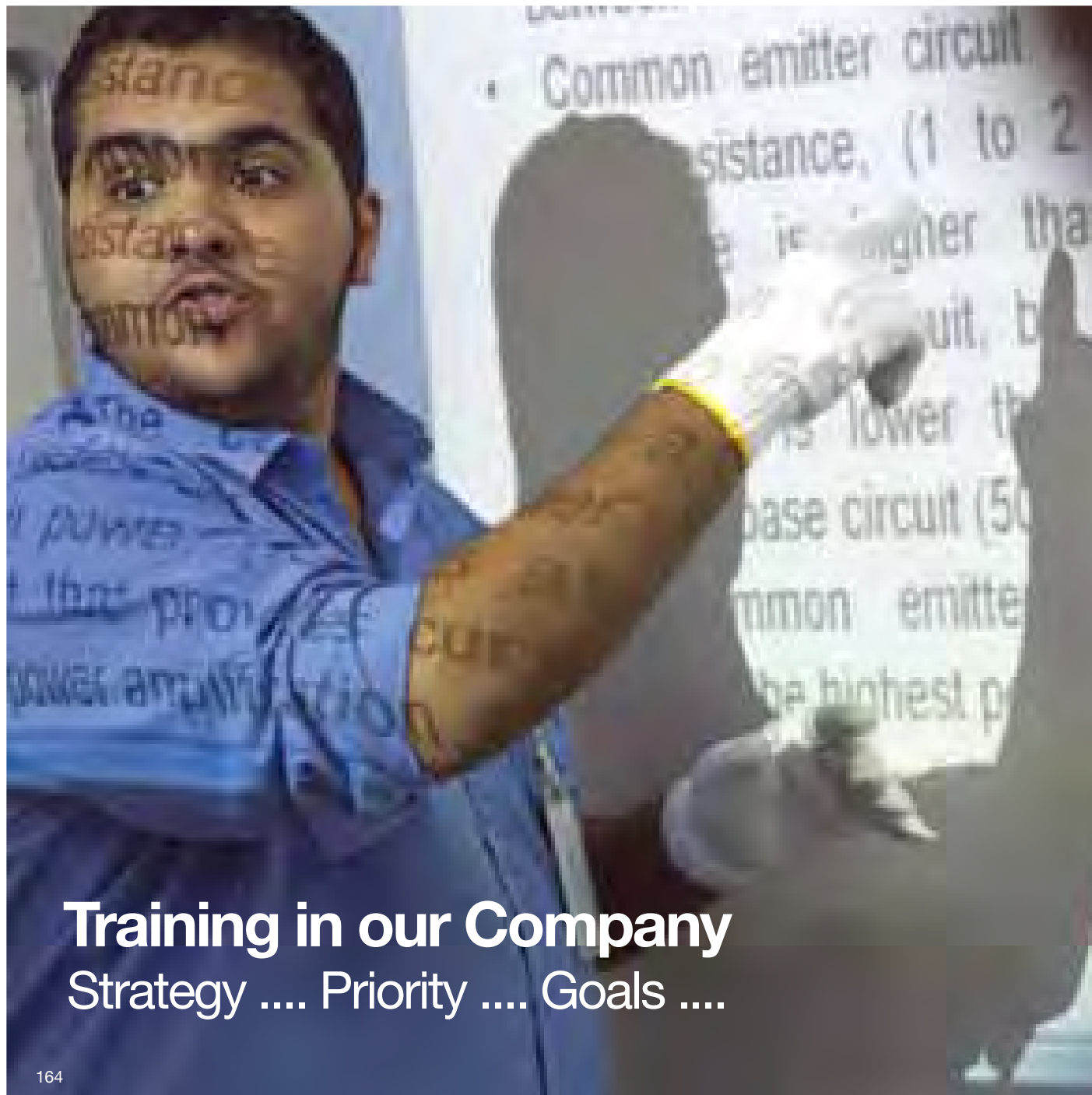


Generation

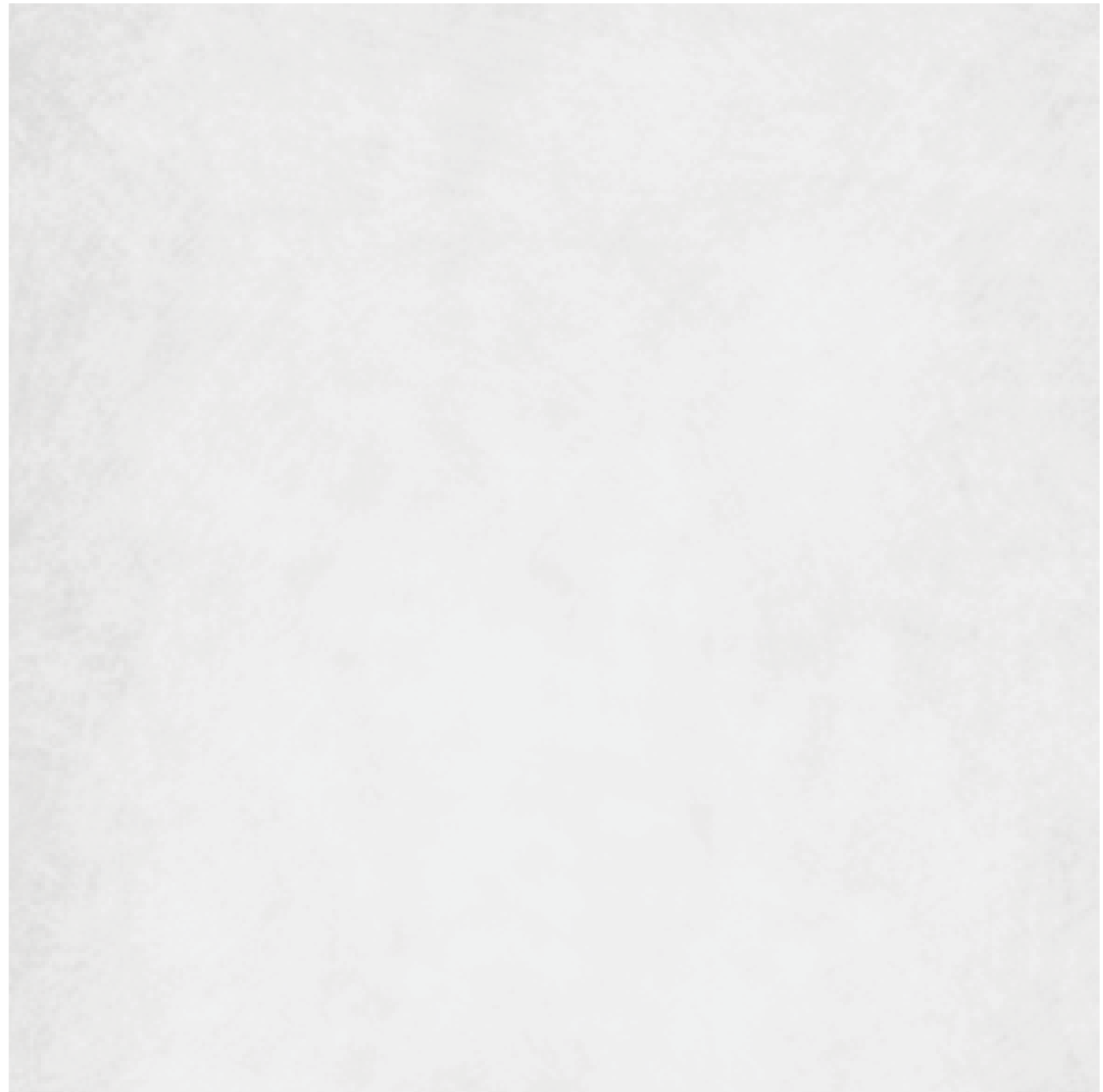












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