

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

Tariff increase and the steady growing demand drives strong revenues growth and positively impacts margins

Riyadh, 21 April 2016 – Saudi Electricity Company (“SEC”), the largest utility company in the Middle East and North Africa region, announces its interim financial results for the period ended 31st March 2016.

Figures in SAR million	Periods		
Description	Q1 2016	Q1 2015	% change
Revenues	8,902	7,486	18.9%
Gross Profit/losses	(1,204)	(1,246)	3.4%
<i>Gross Profit/losses Margin %</i>	-13.5%	-16.6%	3.1pp
Operating Profit/losses	(1,383)	(1,402)	1.3%
<i>Operating Profit/losses Margin %</i>	-15.5%	-18.7%	3.2pp
Net profit/losses	(1,374)	(1,940)	29.2%
Reported Earnings/losses per share (SAR)	(0.33)	(0.47)	29.2%
EBITDA ⁽¹⁾	2,787	1,666	67.3%
<i>EBITDA Margin %</i>	31.3%	22.3%	9.0pp
One-off items	-	(561)	
Excluding one-off items			
Underlying EBITDA ⁽²⁾	2,787	2,227	25.1%
<i>Underlying EBITDA Margin%</i>	31.3%	29.7%	1.6pp
Underlying Net profit/losses ⁽³⁾	(1,374)	(1,379)	0.4%

(1) EBITDA = Net profit/losses + Depreciation

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

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

HIGHLIGHTS

- 18.9% YoY growth in total operating revenues primarily driven by higher electricity sales due the tariff increase and the steady growing demand at 3.3% YoY.
- The tariff increase positively impacts margins despite 15.7% YOY increase in operating costs which is primarily driven by:
 - (1) 80.9% YoY increase in fuel costs attributable to the fuel prices increase and higher fuel consumption.
 - (2) Higher depreciation reflecting the growth in the operating asset base: projects amounting to SAR 36 billion became operational over the course of the last 12 months.
- EBITDA up 67.3% to SAR 2,787 million. Excluding the impact of one-off item in Q1 2015, the growth in EBITDA on an underlying basis would be 25.1%.
- Major capital expenditure program continues. SAR 14.4 billion invested in capital projects and fixed assets during the first three months of 2016 (Q1 2015: SAR 12.4 billion).
- SEC's Board recommends a dividend payment for 2015 of SAR 0.70 a share (subject to the general assembly meeting approval), which is in line with the payout in previous years.
- SEC continues to be one of the highest rated corporate in Saudi Arabia with A1/A-/A+ ratings by Moody's, S&P and Fitch, respectively.

PERFORMANCE REVIEW

Revenues

Item (SAR million)	3M 2016	% of Total	3 M 2015	% of total	Change
Electricity Sales	7,606	85.4%	6,328	84.5%	20.2%
Meter reading, maintenance and bill preparation income	292	3.3%	260	3.5%	12.3%
Electricity Connection Tariff	548	6.2%	501	6.7%	9.4%
Transmission System Revenues	331	3.7%	286	3.8%	15.7%
Other Operating Revenues	124	1.4%	111	1.5%	11.7%
Total Operating Revenues	8,902	100%	7,486	100%	18.9%

- Q1 2016 total revenues increased by 18.9% to SAR 8.9 billion, primarily driven by electricity sales growth.
- 20.2% increase in electricity sales in Q1 2016 over corresponding period of 2015 is due to:
 - 16.3% increase in average sale price from 13.09 to 15.23 Halala/KWh primarily driven by the tariff increase;
 - 6.6% YoY growth in the customer base to 8.2 million from 7.7 million, mainly driven by increase in residential and commercial segments;
 - 3.3% YoY growth in overall electricity consumption. In Q1 2016, SEC sold 49.9 TWh (Q1 2015: 48.3 TWh) of electricity; and
 - Supported by an improvement in the sales mix with higher contribution from high margin customer (see below).

Customer base split by sales volume and relative revenue contribution						
Segment	Volume contribution %			Value contribution %		
	Q1 2016	Q1 2015	Change	Q1 2016	Q1 2015	Change
Residential	43.0%	40.9%	2.1%	18.7%	21.3%	(2.6%)
Industrial	21.6%	26.2%	(4.6%)	24.4%	27.7%	(3.3%)
Commercial	16.9%	16.4%	0.5%	23.5%	22.1%	1.4%
Governmental	14.7%	13.5%	1.2%	30.5%	26.5%	4.0%
Others	3.8%	3%	0.8%	2.9%	2.4%	0.5%

- Sales volume and value contribution from Industrial customers fell 4.6% and 3.3% respectively, reflecting that major industrial facilities who have their own onsite captive generation were able to source a greater proportion of their electricity requirements through internally generated means, implying a lower contribution from industrial segment. However, this was largely offset by 15.7% increase in revenues from transmission system that arise from backup service/wheeling charges.
- Operating revenues from the tariffs charged for meter reading, maintenance and bills preparation and one-off tariffs charged for making initial electricity connections were higher, in line with the continuing increase in the customer base and higher revenues realized from connection tariff services projects.

Cost of Sales

Item (SAR million)	Q1 2016	% of total	Q1 2015	% of total	Change
Fuel	1,509	14.9%	834	9.6%	80.9%
Purchased energy	1,838	18.2%	1,899	21.7%	-3.2%
Operation and maintenance	2,713	26.8%	2,489	28.5%	9.0%
Depreciation ⁽¹⁾	4,046	40.0%	3,510	40.2%	15.3%
Cost of Sales	10,106	100%	8,732	100%	15.7%

⁽¹⁾ Depreciation relating to operating assets

- 80.9% increase in fuel costs reflecting the increase in fuel prices and higher fuel consumption due to 6.2% YoY increase in SEC's generation to offset lower output from IPPs generation.
- 3.2% YoY decrease in purchased power cost mainly driven by lower output from IPPs generation stemmed from scheduled routine maintenance and temporary outage incidents for some of the IPPs, this in addition to lower impact from fuel prices increase as a result of unchanged gas price for some of the gas fired IPP/IWPP power plants.
- 9.0% increase in operations and maintenance costs mainly arose from higher labor cost driven by headcount growth and higher provisions taken against doubtful receivables.
- 15.3% increase in depreciation reflecting the growth in the operating asset base: projects amounting to SAR 36 billion were completed and became operational over the course of the last 12 months.

EBITDA, Margins, and Net Profit/ Losses

- EBITDA up 67.3% to SAR 2,787 million. Excluding the impact of one-off item in Q1 2015, the growth in EBITDA would be 25.1%. Q1 2015 included a non-recurring expense item (SAR 561 million) of

grant of two months' salary to SEC's Saudi employees in line with all government controlled entities, following the royal succession in January 2015.

- Reported net loss attributable to SEC shareholders in Q1 2016 is SAR 1,374 million as against loss of SAR 1,940 million in Q1 2015; implying 29.2% reduction on net losses. Excluding the aforementioned on-off item in 1Q 2015, Reported net loss on an underlying basis would have a slight reduction of 0.4% over corresponding previous year period.

Cash Flow and Capital Expenditure

- 26.4% increase in cash flow from operations to SAR 7.03 billion (Q1 2015: SAR 5.56 billion) mainly driven by lower net losses and net positive movement in working capital mainly arise from the deferred fuel payables.
- Overall SAR 14.3 billion in Q1 2016 (Q1 2015: SAR 12.8 billion) net outflow of cash due to investing activities, in line with SEC's commitment to meet the needs of Saudi Arabia's growing economy through increasing generating capacity and improving and extending transmission and distribution networks.
- The net cash inflow from financing activities during Q1 2016 of SAR 7.1 billion (Q1 2015: SAR 4.8 billion) was primarily from proceeds drawn down from commercial loan facilities (totaling SAR 7.2 billion) that were marginally offset by a repayment of SAR 201 million relating to due installments of long term facilities.
- SEC closed Q1 2016 with a gross cash position of SAR 1.8 billion (Q1 2015: SAR 4.5 billion).

Balance Sheet and Funding

- The growth in the asset base reflects SEC's continuing major investments into its generation, transmission and distribution capabilities. As at 31st March 2016, SEC's asset base had grown 13.8% YoY to SAR 370 billion (Q1 2015: SAR 325.5 billion), with shareholders' equity growing 2.9% YoY to SAR 58.9 billion (Q1 2015: SAR 57.3 billion).
- Due to SEC's strategic importance to the economy, the Saudi Government has always demonstrated strong support for SEC including the provision of long term free interest loans. As end of Q1 2016, SEC has SAR 48.1 billion of committed government soft loans available for drawdown by until 2019.

Further enquiries

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Overview of Saudi Electricity Company (“SEC”)

SEC is the largest utility in the MENA region with a market capitalization of SAR 66.5 bn (US\$ 17.7bn) as at 31 March 2016, and is one of the largest companies listed on the Saudi Tadawul by market size. It is a vertically integrated company involved in the generation, transmission and distribution of electricity to over 8.2 million customers in Saudi Arabia. Saudi Arabia is one of the Top 20 economies globally whose demand for electricity is growing at 7-8% per annum, driven by a growing population, rising per capita consumption and an increasingly diversified and growing economy.

For further information on SEC and the full financial statements for the twelve months and fourth quarter ended 31 March 2016, please refer to the corporate website: www.se.com.sa

End of Release.