

IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY U.S. PERSON OR TO ANY PERSON OR ADDRESS IN THE UNITED STATES

IMPORTANT: You must read the following notice before continuing. The following notice applies to the attached prospectus following this page (the **Prospectus**), whether received by email, accessed from an internet page or otherwise received as a result of electronic communication, and you are therefore advised to read this notice carefully before reading, accessing or making any other use of the Prospectus. In reading, accessing or making any other use of the Prospectus, you agree to be bound by the following terms and conditions and each of the restrictions set out in the Prospectus, including any modifications made to them from time to time, each time you receive any information from Saudi Electricity Global SUKUK Company 5 (the **Issuer**) or Saudi Electricity Company (**SEC**) as a result of such access.

RESTRICTIONS: NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY THE CERTIFICATES IN ANY JURISDICTION. ANY CERTIFICATE TO BE ISSUED HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION. THE CERTIFICATES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED DIRECTLY OR INDIRECTLY WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE PROSPECTUS IS NOT BEING DISTRIBUTED TO, AND MUST NOT BE PASSED ON TO, THE GENERAL PUBLIC IN THE UNITED KINGDOM. THE DISTRIBUTION IN THE UNITED KINGDOM OF THE PROSPECTUS AND ANY OTHER MARKETING MATERIALS RELATING TO THE CERTIFICATES IS BEING ADDRESSED TO, OR DIRECTED AT, ONLY THE FOLLOWING PERSONS: (I) PERSONS WHO ARE INVESTMENT PROFESSIONALS AS DEFINED IN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (THE **FINANCIAL PROMOTION ORDER**), (II) PERSONS FALLING WITHIN ANY OF THE CATEGORIES OF PERSONS DESCRIBED IN ARTICLE 49 (HIGH NET WORTH COMPANIES, UNINCORPORATED ASSOCIATIONS, ETC.) OF THE FINANCIAL PROMOTION ORDER AND (III) ANY OTHER PERSON TO WHOM IT MAY OTHERWISE LAWFULLY BE COMMUNICATED. (ALL SUCH PERSONS IN (I), (II) AND (III) ABOVE TOGETHER BEING REFERRED TO AS **RELEVANT PERSONS**). PERSONS OF ANY OTHER DESCRIPTION IN THE UNITED KINGDOM MAY NOT RECEIVE AND SHOULD NOT ACT OR RELY ON THE PROSPECTUS OR ANY OTHER MARKETING MATERIALS IN RELATION TO ANY CERTIFICATES AND ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THE PROSPECTUS RELATES WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS.

CONFIRMATION OF YOUR REPRESENTATION: By accepting this e-mail and accessing, reading or making any other use of the attached document, you shall be deemed to have represented to First Abu Dhabi Bank PJSC, HSBC Bank plc, J.P. Morgan Securities plc, MUFG Securities EMEA plc, and Standard Chartered Bank (together, the **Joint Lead Managers**), Saudi Electricity Global SUKUK Company 5 (in any capacity), SEC and HSBC Corporate Trustee Company (UK) Limited that (1) you have understood and agree to the terms set out herein, (2) you are (or the person you represent is) not a U.S. person (within the meaning of Regulation S under the Securities Act) or acting for the account or benefit of a U.S. person and the electronic mail address that you have given to us and to which this e-mail has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands) or the District of Columbia (3) in respect of the Certificates being offered in the United Kingdom, you are (or the person you represent is) a Relevant Person, (4) you consent to delivery by electronic transmission, (5) you will not transmit the attached Prospectus (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the consent of the Joint Lead Managers, the Issuer and SEC and (6) you acknowledge that you will make your own assessment regarding any legal, taxation, *Shari'ah* or

other economic considerations with respect to your decision to subscribe for or purchase of any of the Certificates.

You are reminded that the Prospectus has been delivered to you on the basis that you are a person into whose possession the Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver or disclose the contents of the Prospectus, electronically or otherwise, to any other person. Failure to comply with this directive may result in a violation of the Securities Act or the applicable laws of other jurisdictions.

If you received the Prospectus by e-mail, you should not reply by e-mail. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected. If you received the Prospectus by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where such offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Joint Lead Managers or any affiliate of the Joint Lead Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Joint Lead Managers or such affiliate on behalf of the Issuer in such jurisdiction.

Under no circumstances shall the Prospectus constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Certificates in any jurisdiction in which such offer, solicitation or sale would be unlawful. Recipients of the attached document who intend to subscribe for or purchase the Certificates are reminded that any subscription or purchase may only be made on the basis of the information contained or incorporated by reference in the Prospectus.

The Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Joint Lead Managers, the Issuer, SEC or any person who controls or is a director, officer, employee or agent of the Joint Lead Managers, the Issuer, SEC or any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers.

The distribution of the Prospectus and the offer or sale of the Certificates in certain jurisdictions may be restricted by law. Persons into whose possession the attached document comes are required by the Joint Lead Managers, the Issuer and SEC to inform themselves about, and to observe, any such restrictions.

The Prospectus will be valid for the admission to trading of the Certificates on the regulated market of Euronext Dublin until the time when trading on such regulated market begins. The obligation to supplement the Prospectus in the event of a significant new factor, material mistake or material inaccuracy does not apply, once the Certificates are admitted to trading on the regulated market of Euronext Dublin.



SAUDI ELECTRICITY GLOBAL SUKUK COMPANY 5
(incorporated as an exempted company in the Cayman Islands with limited liability)

U.S.\$650,000,000 Green Certificates due 2025

U.S.\$650,000,000 Green Certificates due 2030

The U.S.\$650,000,000 Green Certificates due 2025 (the **2025 Certificates**) and the U.S.\$650,000,000 Green Certificates due 2030 (the **2030 Certificates**, and, together with the 2025 Certificates, the **Certificates**, and each a **Series**) of Saudi Electricity Global SUKUK Company 5 (the **Issuer**) will be constituted by a declaration of trust (the **Declaration of Trust**) dated 17 September 2020 (the **Closing Date**) entered into between Saudi Electricity Company (**SEC**), the Issuer, in its capacity as issuer and as trustee (the **Trustee**) for and on behalf of holders of the Certificates (the **Certificateholders**) and HSBC Corporate Trustee Company (UK) Limited in its capacity as delegate of the Trustee (the **Delegate**). Pursuant to the Declaration of Trust, the Trustee will declare that it will hold the Trust Assets (as defined herein) in respect of each Series upon trust absolutely for the Certificateholders of that Series *pro rata* according to the face amount of the Certificates held by each Certificateholder in accordance with the Declaration of Trust and the terms and conditions of such Certificates (in the case of the 2025 Certificates, the **2025 Conditions** and, in the case of the 2030 Certificates, the **2030 Conditions** and, together, the **Conditions**).

On (i) in the case of the 2025 Certificates, the 17th day of March and September in each year, commencing on 17 March 2021, and (ii) in the case of the 2030 Certificates, the 17th day of March and September in each year, commencing on 17 March 2021 (each a **Periodic Distribution Date**), the Issuer will pay Periodic Distribution Amounts (as defined herein) to the relevant Certificateholders, calculated at the rate of (i) in the case of the 2025 Certificates, 1.740 per cent. per annum on the outstanding face amount of the 2025 Certificates as at the beginning of the relevant Periodic Distribution Period (as defined herein) and (ii) in the case of the 2030 Certificates, 2.413 per cent. per annum on the outstanding face amount of the 2030 Certificates as at the beginning of the relevant Periodic Distribution Period, in each case on a 30/360 day basis.

The Issuer will pay such Periodic Distribution Amounts solely from the proceeds received in respect of the Trust Assets which include rental payments by SEC in its capacity as lessee (the **Lessee**) under the Ijara Agreement (as defined herein), which rental payments will be equal to the Periodic Distribution Amounts payable to the relevant Certificateholders on each Periodic Distribution Date.

Unless previously redeemed or cancelled in the circumstances described in Condition 10.2, Condition 10.3, Condition 10.4 and Condition 10.5, the 2025 Certificates will be redeemed on the Periodic Distribution Date falling on 17 September 2025 and the 2030 Certificates will be redeemed on the Periodic Distribution Date falling on 17 September 2030 (each a **Scheduled Dissolution Date**) at the Dissolution Distribution Amount (as defined herein). The Issuer will pay the Dissolution Distribution Amount solely from the proceeds received in respect of the Trust Assets which include payments by SEC under the relevant Purchase Undertaking (as defined herein).

The Certificates will be limited recourse obligations of the Issuer. An investment in the Certificates involves certain risks. Investors should carefully review the risks described herein under “Risk Factors”.

The Certificates have not been and will not be registered under the United States Securities Act of 1933 (the *Securities Act*) or with any securities regulatory authority of any state or other jurisdiction of the United States. The Certificates are being offered and sold outside the United States to non-U.S. persons in accordance with Regulation S under the Securities Act (*Regulation S*), and may not be offered, sold or delivered within the United States or to or for the account or the benefit of, U.S. persons as defined in Regulation S under the Securities Act except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Each purchaser of the Certificates is hereby notified that the offer and sale of Certificates to it is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Regulation S.

This Prospectus has been approved as a prospectus by the Central Bank of Ireland (the **Central Bank**), as competent authority under Regulation (EU) 2017/1129 (the **Prospectus Regulation**). The Central Bank only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Approval by the Central Bank should not be considered an endorsement of the Issuer, SEC or of the quality of the Certificates. Investors should make their own assessment as to the suitability of investing in the Certificates. Such approval only relates to the Certificates which are to be admitted to trading on a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2014/65/EU) (as amended, **MiFID II**) and/or which are to be offered to the public in any Member State of the European Economic Area (which, for these purposes, includes the United Kingdom). Application has been made to the Irish Stock Exchange plc trading as Euronext Dublin (**Euronext Dublin**) for the Certificates to be admitted to the official list (the **Official List**) and trading on its regulated market (the **Euronext Dublin Regulated Market**). The Euronext Dublin Regulated Market is a regulated market for the purposes of MiFID II. References in this Prospectus to the Certificates being **listed** (and all related references) shall mean that the Certificates have been admitted to the Official List and trading on the Euronext Dublin Regulated Market.

Each Series will be issued in registered form in minimum denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. Each Series will be represented by a global certificate in registered form (each a **Global Certificate**) deposited on or before the Closing Date with, and registered in the name of the nominee of, a common depositary for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking S.A. (**Clearstream**). Beneficial interests in each Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream and their participants. Definitive Certificates evidencing holdings of interests in the Certificates of a Series will be issued in exchange for interests in the relevant Global Certificate only in certain limited circumstances described herein.

Each Series is expected to be assigned a rating of A2 by Moody’s Investors Service Ltd. (**Moody’s**), and a rating of A- by Fitch Ratings Limited (**Fitch**). Each of Moody’s, Fitch and S&P Global Ratings Europe Limited, UAE Branch (**S&P**) has rated SEC, see page 60.

Each of Fitch, Moody’s and S&P is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such, each of Fitch and Moody’s is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation. A rating is not a recommendation to buy, sell or hold the Certificates (or beneficial interests therein), does not address the likelihood or timing of repayment and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisations. Please also refer to “Credit ratings may not reflect all risks” in the Risk Factors section of this Prospectus.

The transaction structure relating to the Certificates (as described in this Prospectus) has been reviewed by: the Shari’ah Supervisory Board of First Abu Dhabi Bank PJSC; the Executive Shari’ah Committee of HSBC Saudi Arabia; the Shari’ah advisors of J.P.Morgan Securities plc; and the Global Shari’ah Supervisory Committee of Standard Chartered Bank (each, a **Shari’ah Adviser** and collectively, the **Shari’ah Advisers**). Prospective Certificateholders should not rely on this review in deciding whether to make an investment in the Certificates and should consult their own *Shari’ah* advisers as to whether the proposed transaction is in compliance with *Shari’ah* principles.

Joint Lead Managers

First Abu Dhabi Bank PJSC

HSBC

J.P. Morgan

MUFG

Standard Chartered Bank

The date of this Prospectus is 15 September 2020

IMPORTANT INFORMATION

This document constitutes a prospectus for the purposes of Article 6 of the Prospectus Regulation.

Each of the Issuer and SEC accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Issuer and SEC, the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Prospectus is to be read in conjunction with all documents which are deemed to be incorporated in it by reference (see “*Documents Incorporated by Reference*”). This Prospectus shall be read and construed on the basis that those documents are incorporated and form part of this Prospectus.

Other than in relation to the documents which are deemed to be incorporated by reference (see “*Documents Incorporated by Reference*”), the information on the websites to which this Prospectus refers does not form part of this Prospectus and has not been scrutinised or approved by the Central Bank.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Certificates in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of Certificates may be restricted by law in certain jurisdictions. The Issuer, SEC, the Joint Lead Managers (as described under “*Subscription and Sale*”) and the Delegate do not represent that this Prospectus may be lawfully distributed, or that the Certificates may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, SEC, the Joint Lead Managers or the Delegate which is intended to permit a public offering of the Certificates or the distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Certificates may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Joint Lead Managers or any affiliate of the Joint Lead Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Joint Lead Managers or such affiliate on behalf of the Issuer in such jurisdiction. Persons into whose possession this Prospectus or any Certificates may come must inform themselves about, and observe any such restrictions on the distribution of this Prospectus and the offering and sale of Certificates. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Certificates in the United States, the United Kingdom, the United Arab Emirates (the **UAE**) (excluding the Dubai International Financial Centre (the **DIFC**) and the Abu Dhabi Global Market (the **ADGM**)), the DIFC, the ADGM, the State of Qatar (including the Qatar Financial Centre) (**Qatar**), the Kingdom of Saudi Arabia (**Saudi Arabia** or the **Kingdom**), the Kingdom of Bahrain (**Bahrain**), the Cayman Islands, Hong Kong, Singapore and Malaysia. See also “*Subscription and Sale*”.

The Joint Lead Managers have not independently verified the information contained herein. No representation, warranty or undertaking, express or implied, is made and no responsibility accepted by the Joint Lead Managers, the Agents (as defined in the Conditions) or the Delegate as to the accuracy or completeness of the information contained or incorporated by reference in this Prospectus or any other information supplied in connection with the Certificates. Each person receiving the Prospectus acknowledges that such person has not relied on any of the Joint Lead Managers, the Agents or the Delegate in connection with its investigation of the accuracy of such information or its investment decision and each person must rely on its own assessment of the Issuer, SEC or the Certificates. None of the Joint Lead Managers, the Agents, the Delegate or any of their respective affiliates accepts any responsibility for any acts or omissions of the Trustee, SEC or any other person in connection with this Prospectus or the issue and offering of the Certificates. Nothing contained in this Prospectus is, or is to be construed as, or shall be relied on as a promise, warranty or representation, whether as to the past or future, by any of the Joint Lead Managers, the Agents or the Delegate in any respect. To the fullest extent permitted by law, none of the Joint Lead Managers, the Agents, or the Delegate accepts any responsibility whatsoever for the contents of this Prospectus. Each of the Joint Lead Managers, the Agents and the Delegate accordingly disclaims

all and any liability, whether arising in tort, contract or otherwise, which it might otherwise have in respect of this Prospectus.

No comment is made or advice given by the Issuer, SEC, the Joint Lead Managers, the Agents or the Delegate in respect of taxation matters relating to the Certificates or the legality of the purchase of the Certificates by an investor under any applicable law.

The contents of this Prospectus are not to be construed as, and shall not be relied on as legal, business, *Shari'ah* or tax advice, and each investor should consult its own legal, business, *Shari'ah*, tax and other advisers for any such advice that may be relevant to such investor.

No person is or has been authorised by the Issuer, SEC, the Joint Lead Managers, the Agents or the Delegate to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the offering of the Certificates and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of the Issuer, SEC, the Joint Lead Managers, the Agents or the Delegate.

Neither this Prospectus nor any other information supplied in connection with the offering of the Certificates (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer, SEC, any of the Joint Lead Managers, the Agents or the Delegate that any recipient of this Prospectus or any other information supplied in connection with the offering of the Certificates should purchase any Certificates. Each investor contemplating purchasing any Certificates should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and/or SEC.

Neither the delivery of this Prospectus nor the offer, issue, sale or delivery of the Certificates shall, under any circumstances, imply that there has been no change in the affairs of the Issuer, SEC or SEC's subsidiaries and affiliates taken as a whole (the **SEC Group**) since the date hereof or that the information contained or incorporated by reference herein concerning the Issuer and/or SEC and/or the SEC Group is correct as at any time subsequent to its date or that any other information supplied in connection with the offering of the Certificates is correct as at any time subsequent to the date indicated in the document containing the same. The Joint Lead Managers expressly do not undertake to review the financial condition or affairs of the Issuer, SEC or the SEC Group during the life of the Certificates or to advise any investor in the Certificates of any information coming to their attention or that there has been no change in the affairs of any party mentioned herein since that date.

In connection with the issue and sale of the Certificates, each of the Joint Lead Managers and any of their respective affiliates acting as an investor for its own account may take up Certificates and in that capacity may retain, purchase or sell for its own account such securities and any securities of the Issuer or SEC or related investments, and may offer or sell such securities or other investments otherwise than in connection with the issue and sale of the Certificates. Accordingly, references in this Prospectus to the Certificates being offered, issued or sold should be read as including any offer, issue or sale of securities to the Joint Lead Managers and any of their affiliates acting in such capacity. The Joint Lead Managers do not intend to disclose the extent of any such transactions or investments otherwise than in accordance with any legal or regulatory obligation to do so.

In addition, certain of the Joint Lead Managers and their respective affiliates have performed, and may in the future perform, various financial advisory, investment banking and/or commercial banking services for, and may arrange loans and other non-public market financing for, and enter into derivative transactions with, the Issuer, SEC and/or the SEC Group for which they have and may receive customary fees.

The Certificates may not be a suitable investment for all investors. Each potential investor in the Certificates must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Certificates, the merits and risks of investing in the Certificates and the information contained or incorporated by reference in this Prospectus or any applicable supplement;

- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Certificates and the impact the Certificates will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Certificates, including Certificates with principal or payment payable in one or more currencies, or where the currency for principal or profit payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Certificates and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

VOLCKER RULE

The Volcker Rule, which became effective on 1 April 2014, but was subject to a conformance period for certain entities that concluded on 21 July 2015, generally prohibits “banking entities” (which is broadly defined to include U.S. banks and bank holding companies and many non-U.S. banking entities, together with their respective subsidiaries and other affiliates) from (i) engaging in proprietary trading, (ii) acquiring or retaining an ownership interest in or sponsoring a “covered fund”, and (iii) entering into certain relationships with “covered funds”. The general effects of the Volcker Rule remain uncertain; any prospective investor in the Certificates and any entity that is a “banking entity” as defined under the Volcker Rule which is considering an investment in the Certificates should consult its own legal advisers and consider the potential impact of the Volcker Rule in respect of such investment. If investment by “banking entities” in the Certificates is prohibited or restricted by the Volcker Rule, this could impair the marketability and liquidity of such Certificates. No assurance can be made as to the effect of the Volcker Rule on the ability of certain investors subject thereto to acquire or retain an interest in the Certificates, and accordingly none of the Trustee, SEC, the Joint Lead Managers, the Delegate or the Agents, or any of their respective affiliates makes any representation regarding (a) the status of the Trustee under the Volcker Rule (including whether it is a “covered fund” for their purposes) or (b) the ability of any purchaser to acquire or hold the Certificates, now or at any time in the future.

NOTICE TO PROSPECTIVE INVESTORS IN THE KINGDOM OF SAUDI ARABIA

This Prospectus may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority of Saudi Arabia (the **Capital Market Authority**). The Capital Market Authority does not make any representation as to the accuracy or completeness of this Prospectus, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus. Prospective purchasers of the Certificates offered hereby should conduct their own due diligence on the accuracy of the information relating to the Certificates. If you do not understand the contents of this Prospectus you should consult an authorised financial adviser.

NOTICE TO PROSPECTIVE INVESTORS IN THE CAYMAN ISLANDS

No invitation may be made to any member of the public of the Cayman Islands to subscribe for the Certificates and this Prospectus shall not be construed as an invitation to any member of the public of the Cayman Islands to subscribe for the Certificates.

NOTICE TO RESIDENTS OF MALAYSIA

The Certificates may not be offered for subscription or purchase and no invitation to subscribe for or purchase such Certificates in Malaysia may be made, directly or indirectly, and this Prospectus or any document or other materials in connection therewith may not be distributed in Malaysia other than to persons falling within the categories specified under Schedule 6 or Section 229(1)(b), Schedule 7 or Section 230(1)(b) and Schedule 8 or Section 257(3) of the Capital Market and Services Act, 2007 of Malaysia, as may be amended and/or varied from time to time and subject to any amendments to the applicable laws from time to time.

The Securities Commission of Malaysia shall not be liable for any non-disclosure on the part of the Issuer and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Prospectus.

NOTICE TO RESIDENTS OF THE STATE OF QATAR

The Certificates will not be offered, sold or delivered, at any time, directly or indirectly, in the State of Qatar (including the Qatar Financial Centre) in a manner that would constitute a public offering. This Prospectus has not been and will not be reviewed or approved by or registered with the Qatar Central Bank, the Qatar Stock Exchange, the Qatar Financial Centre Regulatory Authority or the Qatar Financial Markets Authority in accordance with their regulations or any other regulations in the State of Qatar (including the Qatar Financial Centre). The Certificates are not and will not be traded on the Qatar Stock Exchange.

NOTICE TO PROSPECTIVE INVESTORS IN BAHRAIN

In relation to investors in the Kingdom of Bahrain, securities issued in connection with this Prospectus and related offering documents may only be offered in registered form to existing account holders and accredited investors as defined by the Central Bank of Bahrain (**CBB**) in the Kingdom of Bahrain where such investors make a minimum investment of at least U.S.\$100,000, or any equivalent amount in other currency or such other amount as the CBB may determine.

This Prospectus does not constitute an offer of securities in the Kingdom of Bahrain pursuant to the terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (decree Law No. 64 of 2006). This Prospectus and related offering documents have not been and will not be registered as a prospectus with the CBB. Accordingly, no securities may be offered, sold or made the subject of an invitation for subscription or purchase nor will this Prospectus or any other related document or material be used in connection with any offer, sale or invitation to subscribe or purchase securities, whether directly or indirectly, to persons in the Kingdom of Bahrain, other than to accredited investors for an offer outside Bahrain.

The CBB has not reviewed, approved or registered the Prospectus or related offering documents and it has not in any way considered the merits of the securities to be offered for investment, whether in or outside the Kingdom of Bahrain. Therefore, the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained or incorporated by reference in this document and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this document. No offer of securities will be made to the public in the Kingdom of Bahrain and this Prospectus must be read by the addressee only and must not be issued, passed to, or made available to the public generally.

MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Certificates has led to the conclusion that: (i) the target market for the Certificates is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Certificates to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Certificates (a **distributor**) should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Certificates (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

NOTIFICATION UNDER SECTION 309B(1)(C) OF THE SECURITIES AND FUTURES ACT (CHAPTER 289) OF SINGAPORE

In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore and the Securities and Futures (Capital Markets Products) Regulations 2018 (the **CMP Regulations 2018**), each of the Issuer and SEC has determined the classification of the Certificates as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in the Monetary Authority of Singapore

Notice SFA 04-N12: Notice on the Sale of Investment Products and the MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

CERTAIN PUBLICLY AVAILABLE INFORMATION

Certain statistical data and other information appearing in this Prospectus under “*Kingdom of Saudi Arabia*” have been extracted from public sources identified herein. None of the Issuer, SEC, the Joint Lead Managers, the Agents or the Delegate accepts responsibility for the factual correctness of any such statistics or information but the Issuer and SEC confirm that such statistics and information have been accurately reproduced and that, so far as the Issuer and SEC are aware and have been able to ascertain from statistics and information published by those public sources, no facts have been omitted which would render the reproduced statistics and information inaccurate or misleading.

FORWARD-LOOKING STATEMENTS

This Prospectus contains “forward-looking statements”. For the SEC Group, particular uncertainties arise from unanticipated loss of power generation and from numerous other matters of national, regional and global scale, including those of a political, economic, business, competitive or regulatory nature.

The words “anticipate”, “estimate”, “expect”, “believe”, “intend”, “plan”, “may”, “will”, “should” and any similar expressions to identify forward-looking statements may be used herein. Prospective purchasers of the Certificates are cautioned that actual results could differ materially from those anticipated in forward-looking statements. The forward-looking statements contained in this Prospectus are largely based on SEC’s expectations, which reflect estimates and assumptions made by SEC’s management. These estimates and assumptions reflect SEC’s best judgment based on currently known market conditions and other factors, some of which are discussed below. Although SEC believes such estimates and assumptions to be reasonable, they are inherently uncertain and involve a number of risks and uncertainties that are beyond its control. In addition, assumptions about future events may prove to be inaccurate. We caution prospective purchasers of the Certificates that the forward-looking statements contained in this Prospectus are not guarantees of outcomes of future performance, and SEC cannot assure any prospective purchasers of the Certificates that such statements will be realised or the forward-looking events and circumstances will occur.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, many of which are beyond our control, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. These risks, uncertainties and other factors include, among other things, those described in the section headed “*Risk Factors*”, as well as those included elsewhere in this Prospectus, and they include:

- SEC’s obligations under the Transaction Documents and other financing arrangements do not benefit from any direct or indirect Government guarantee or other legally enforceable Government backing;
- the SEC Group has benefitted from significant Government support, and any reduction or delay in the level of support provided to the SEC Group could significantly and adversely affect its business, results of operations and financial condition;
- SEC is majority-owned by the Government whose interests may, in certain circumstances, not be aligned with the interests of Certificateholders;
- electricity tariffs in the Kingdom are not set by SEC and, as a result, may not reflect commercial or market terms, including any increases in the SEC Group’s cost of production;
- the SEC Group is dependent on a single related-party supplier of fuel at prices set by the Government;
- SEC may not be able to obtain sufficient funding to finance, and may be subject to increased financing risk as a result of undertaking increased indebtedness in connection with, its planned capital expenditure programme;
- disruptions in global credit markets may adversely affect the SEC Group and its ability to secure financing;

- restrictive covenants included in certain of SEC's financing arrangements could materially adversely impact its ability to raise financing in the future;
- the COVID-19 pandemic has caused significant disruption to the global economy and has also caused disruption to the Kingdom's economy and impacted the SEC Group's business, and COVID-19 or the outbreak of other communicable diseases around the world may cause further disruption;
- the SEC Group's capital expenditure programme is subject to various development and construction risks;
- the SEC Group is reliant upon skilled personnel in the engineering and technical fields and may not be able to recruit and retain qualified personnel;
- the SEC Group may be subject to increased prices for any additional electricity it may be required to purchase, which may not be reflected in the tariffs that it is permitted to charge for the supply of electricity, and may not be able to obtain any additional electricity it may require;
- the SEC Group's counterparties may default on their contractual obligations which may result in materially increased costs or losses for the SEC Group;
- the SEC Group's forecasts of future demand for electricity in the Kingdom may be inaccurate, which may lead to increased costs and operational inefficiency, as a result of too much capacity or the inability to meet demand;
- the SEC Group may experience equipment failures or such equipment may otherwise not operate as planned;
- the SEC Group may encounter difficulties in implementing its overall strategy and capital expenditure programme going forward, or such strategy and expansion plans may ultimately be unsuccessful;
- the SEC Group's facilities and operations may be adversely affected by terrorist attacks, natural disasters or other catastrophic events over which the SEC Group has no control;
- the SEC Group may not be able to maintain sufficient insurance coverage for the risks associated with the operation of its business;
- SEC Group companies may be subject to liabilities as a result of any violation of applicable regulations affecting the electricity industry in the Kingdom, including environmental and safety standards;
- the SEC Group may become subject to competition;
- the SEC Group is involved in ongoing discussions, disputes and litigation with suppliers, regulators and other parties, the ultimate outcome of which is uncertain;
- the SEC Group is subject to economic and political conditions in the Middle East, in general, and in the Kingdom, in particular;
- legislative and regulatory changes in the Kingdom may adversely affect SEC's operations;
- the Kingdom's economy and the Government's budget are highly dependent upon revenues from oil; and
- the Government's efforts to diversify the Kingdom's economy and effect structural changes may have undesirable effects and there can be no assurance that these diversification efforts will be successful.

Prospective purchasers of the Certificates should be aware that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements.

Prospective purchasers of the Certificates should not place undue reliance on forward-looking statements and should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which we operate. Such forward-looking statements speak only as of the date on which they are made. Accordingly, none of the Issuer, SEC or the Joint Lead Managers

undertakes any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. None of the Issuer, SEC or the Joint Lead Managers makes any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario. These cautionary statements qualify all forward- looking statements attributable to us or persons acting on our behalf.

STABILISATION

In connection with the offer, issue and sale of the Certificates, Standard Chartered Bank (the **Stabilisation Manager**) (or any person acting on behalf of the Stabilisation Manager) may effect transactions with a view to supporting the market price of the Certificates at a level higher than that which might otherwise prevail. There is no assurance, however, that the Stabilisation Manager (or any person acting on behalf of the Stabilisation Manager) will undertake any such stabilisation action. Any stabilisation action may begin on or after the Closing Date and, if begun, may cease at any time, but must end no later than the earlier of 30 days after the issue date of the Certificates and 60 days after the date of allotment of the Certificates. Any stabilisation action must be conducted by the Stabilisation Manager (or any person acting on behalf of the Stabilisation Manager) in accordance with all applicable laws, regulations and rules.

MARKET AND INDUSTRY DATA

Information regarding market position, growth rates and other industry data pertaining to SEC's business contained in this Prospectus consists of estimates based on data reports compiled by professional organisations and analysts, on data from other external sources and on SEC's knowledge of its markets. This data is subject to change and cannot be verified with complete certainty due to limits on the availability and reliability of the raw data and other limitations and uncertainties inherent in any statistical survey. In many cases, there is no readily available external information (whether from trade associations, government bodies or other organisations) to validate market-related analyses and estimates, so SEC relies on internally developed estimates. Where SEC has compiled, extracted and reproduced market or other industry data from external sources, including third parties or industry or general publications, the Issuer and SEC accept responsibility for accurately reproducing such data. However, neither the Issuer, SEC nor the Joint Lead Managers have independently verified that data and neither the Issuer, SEC nor the Joint Lead Managers makes any representation regarding the accuracy of such data. Similarly, while SEC believes its internal estimates to be reasonable, such estimates have not been verified by any independent sources and neither the Issuer, SEC nor the Joint Lead Managers can assure potential investors as to their accuracy.

Terms and definitions used in this Prospectus have the meanings set forth below.

Btu means British Thermal Unit, which is a standard unit of measurement used to denote the amount of heat energy in fuels, and is the amount of energy needed to heat one pound of water by one degree Fahrenheit.

c.km means circuit kilometres.

GW means gigawatt, which is equal to 1,000 MW.

GWh means gigawatt-hour, representing one hour of electricity consumption at a constant rate of 1GW.

KW means kilowatt, representing the rate at which energy is produced.

KWh means kilowatt-hour, representing one hour of electricity consumption at a constant rate of 1KW.

KVA means kilovolt-ampere, which is equal to 1,000 VA.

MMBtu represents one million Btu.

MVA means megavolt-ampere, which is equal to 1,000,000 VA.

MW means megawatt, which is equal to 1,000KW.

MWh means megawatt-hour, representing one hour of electricity consumption at a constant rate of 1MW.

Non-coincident peak demand means the sum of the peak demands of an individual customer or customer group at any time, as opposed to coincident peak demand which means the energy demand by an individual customer or customer group during periods of peak system demand.

VA means volt-ampere, which is the unit used for apparent power in an electrical circuit.

PRESENTATION OF FINANCIAL INFORMATION

The audited consolidated financial statements of the SEC Group as at and for the financial years ended 31 December 2018 (the **2018 Financial Statements**) and 31 December 2019 (the **2019 Financial Statements**), and, together with the 2018 Financial Statements, the **Audited Financial Statements**) and the unaudited condensed consolidated interim financial statements of the SEC Group as at and for the six-month period ended 30 June 2020 (the **Interim Financial Statements** and, together with the Audited Financial Statements, the **Financial Statements**) have each been prepared in accordance with International Financial Reporting Standards (**IFRS**) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants (**SOCPA**).

Unless otherwise indicated, the statement of financial position, income statement and cash flow statement included in this Prospectus relating to the SEC Group has been derived in the case of the years ended 31 December 2018 and 31 December 2019, from the 2019 Financial Statements (including the comparative information as at and for the financial year ended 31 December 2018) and, in the case of the six-month periods ended 30 June 2019 and 30 June 2020, from the Interim Financial Statements (including the comparative information as at and for the six-month period ended 30 June 2019).

The Financial Statements are all incorporated by reference in this Prospectus. See “*Documents Incorporated by Reference*”.

The Audited Financial Statements have been audited in accordance with International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia, in each case by KPMG Al Fozan & Partners who have issued unqualified auditor reports thereon. The Interim Financial Statements have been reviewed in accordance with International Standard on Review Engagements 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity as endorsed in the Kingdom of Saudi Arabia, by KPMG Al Fozan & Partners.

SEC’s financial year ends on 31 December, and references in this Prospectus to any specific year are to the 12-month period ended on 31 December of such year.

SEC publishes audited consolidated financial statements on an annual basis and unaudited consolidated interim financial information on a quarterly basis in respect of each quarter ended 31 March, 30 June and 30 September.

Certain figures and percentages in this Prospectus have been subject to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly, and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

CURRENCY INFORMATION

In this Prospectus, references to:

- **U.S.\$ or U.S. dollars** refer to the lawful currency of the United States of America; and
- **SAR or Saudi Arabian riyals** refer to the lawful currency of the Kingdom of Saudi Arabia and **Halalah** refers to the sub-unit of the Saudi Arabian riyal. The reporting currency of SEC is Saudi Arabian riyals and its share capital is denominated in Saudi Arabian riyals.

Since 2003, the Saudi Arabian riyal has officially been pegged to the U.S. dollar at SAR 1.00 to U.S.\$0.2667.

ENFORCEMENT OF JUDGMENTS AND SERVICE OF PROCESS

SEC is incorporated pursuant to Royal Decree No. M/16 dated 06/09/1420H (corresponding to 13/12/1999G) as a joint stock company under the laws of the Kingdom of Saudi Arabia. Its commercial registration number is 1010158683 and its headquarters is in Riyadh, the Kingdom of Saudi Arabia. Its address is Saudi Electricity Company HQ, Al-Arid District, P.O. Box 22955, Riyadh, 11416, Kingdom of Saudi Arabia, and its telephone number is +966 11 8077202. The issuer is Saudi Electricity Global SUKUK Company 5, a Cayman Islands exempted company with limited liability, which was incorporated on 12 March 2020 under the Companies Law (as amended) of the Cayman Islands. Its company registration number is 361131. The registered office of the Issuer is at c/o Walkers Fiduciary Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman, KY1-9008, Cayman Islands, and its telephone number is +1 345 814 7600. A substantial portion of the Issuer's and SEC's assets are located in jurisdictions outside the United Kingdom. As a result, prospective investors may have difficulties effecting service of process in the United Kingdom upon SEC in connection with any arbitration process or lawsuits related to the Certificates or the Transaction Documents (as defined below), including actions arising under the laws of England.

The Certificates and any non-contractual obligations arising out of or in connection with them are governed by English law and disputes in respect of them may be settled through arbitration under the LCIA Rules in London, England. In addition, actions in respect of the Certificates may be, at the option of the Trustee and the Delegate, brought in the English courts. Whilst the option made in favour of the Trustee and the Delegate to elect for arbitration or the English courts is valid under English law and is not restricted under Saudi Arabian law, investors should note that there are no Saudi Arabian court precedents confirming the validity of this option and as such there can be no assurance whether the Saudi Arabian courts will recognise and enforce any arbitral award or judgment made under this option.

The Kingdom of Saudi Arabia is a signatory to the New York Convention on Recognition and Enforcement of Arbitral Awards (1958) and as such, any arbitral award could be enforceable in the Kingdom of Saudi Arabia but subject to filing a legal action for recognition and enforcement of foreign arbitral awards with the Enforcement Courts which can take considerable time. Enforcement in the Kingdom of a foreign arbitral award is not certain. For example, there are a number of circumstances in which recognition of an arbitral award under the New York Convention may be declined, including where the award is contrary to the public policy of the receiving state. As a consequence, any arbitral award deemed by a court in the Kingdom as contrary to the public policy of the Kingdom may not be enforceable in the Kingdom. In the case of an English court judgment, and in the absence of any bilateral treaty for the reciprocal enforcement of foreign judgments between the United Kingdom and the Kingdom of Saudi Arabia, there is uncertainty as to whether the relevant courts in the Kingdom of Saudi Arabia would enforce such English judgment. Investors may have difficulties in enforcing any English judgments against SEC in the relevant courts in the Kingdom of Saudi Arabia, see also "*Risk Factors – Risk Factors relating to Enforcement – There are uncertainties around the choice of English law as the governing law of certain Transaction Documents and around enforcement of foreign judgments*".

DATA PROTECTION

Under the Cayman Islands Data Protection Law, 2017 and, in respect of EU data subjects, the EU General Data Protection Regulation (together, the **Data Protection Legislation**), individual data subjects have rights and the Issuer as data controller has obligations with respect to the processing of personal data by the Issuer and its affiliates and delegates. Breach of the Data Protection Legislation by the Issuer could lead to enforcement action.

Prospective investors should note that personal data may in certain circumstances be required to be supplied to the Issuer in order for an investment in the Certificates to continue or to enable the Certificates to be redeemed. If the required personal data is not provided, a prospective investor will not be able to continue to invest in the Certificates or to redeem the Certificates.

The Issuer has published a privacy notice (the **Data Privacy Notice**), which provides prospective investors with information on the Issuer's use of their personal data in accordance with the Data Protection Legislation. The Data Privacy Notice can be accessed at <https://www.walkersglobal.com/external/SPVDPNotice.pdf>.

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RISK FACTORS

The purchase of Certificates may involve substantial risks and is suitable only for sophisticated investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and merits of an investment in the Certificates. Before making an investment decision, prospective purchasers of Certificates should consider carefully, in light of their own financial circumstances and investment objectives, all of the information in this Prospectus.

Each of the Issuer and SEC believes that the factors described below represent the principal risks inherent in investing in the Certificates, but the inability of the Issuer to pay any amounts on or in connection with any Certificate may occur for other reasons and none of the Issuer or SEC represents that the statements below regarding the risks of holding any Certificate are exhaustive. There may also be other considerations, including some which may not be presently known to the Issuer or SEC or which the Issuer or SEC currently deems immaterial, that may impact any investment in the Certificates.

Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision. Words and expressions defined in “*Terms and Conditions of the 2025 Certificates*” and “*Terms and Conditions of the 2030 Certificates*” shall have the same meanings in this section.

Notwithstanding anything in these risk factors, these risk factors should not be taken as implying that the Issuer will be unable to comply with its obligations as a company with securities admitted to the Official List.

RISK FACTORS RELATING TO THE ISSUER

The Issuer has a limited operating history and no material assets and is dependent upon the performance by SEC of its obligations under the Transaction Documents to which it is a party

The Issuer is newly incorporated as an exempted company with limited liability under the laws of the Cayman Islands and has no operating history. The Issuer will not engage in any business activity other than the issuance of the Certificates, the acquisition of the Trust Assets as described herein, acting as a trustee and other incidental or related activities.

The Issuer’s only material assets, which it will hold on trust for the Certificateholders, will be the Trust Assets, including its right to receive payments under the relevant Ijara Agreement, the relevant Purchase Undertaking, the relevant Sale Undertaking and the relevant Substitution Undertaking.

The Issuer’s ability to pay amounts due on the Certificates will depend on its receipt from SEC of all rental amounts due under the Ijara Agreement and the relevant sums due and payable under the relevant Purchase Undertaking, the relevant Sale Undertaking and the relevant Substitution Undertaking, which, together, may not be sufficient to meet all claims under the Certificates and the relevant Transaction Documents. Therefore, the Issuer is subject to all of the risks to which SEC is subject to the extent that such risks could limit SEC’s ability to satisfy in full and on a timely basis its obligations under the Transaction Documents to which it is a party. See “– *Risk Factors relating to the SEC Group and its Business*” for a further description of these risks.

Recourse to the Issuer in respect of the Certificates is limited to the Trust Assets. For a further description of the risks associated with this limited recourse arrangement and of certain risks affecting the Trust Assets, see “– *Risk Factors relating to the Certificates*”.

RISK FACTORS RELATING TO THE SEC GROUP AND ITS BUSINESS

Risk factors relating to SEC's relationship with the Government

SEC's obligations under the Transaction Documents and other financing arrangements do not benefit from any direct or indirect Government guarantee or other legally enforceable Government backing

Although the Government of the Kingdom of Saudi Arabia (the **Government**) is a significant indirect shareholder of SEC, SEC's financial obligations (including its financial obligations under the Transaction Documents) are not directly or indirectly guaranteed by the Government, the shareholders of SEC or any other person and do not benefit from any legally enforceable Government backing. In addition, although the Government has provided SEC with significant financial support in the past and SEC expects to require substantial additional financial support to carry out its capital expenditure plan, the Government is under no obligation to extend financial support to SEC in the future. Accordingly, SEC's financial obligations, including its obligations under the Transaction Documents, are not, and should not be regarded as, obligations of the Government.

SEC's ability to make the payments under the Transaction Documents that are necessary for the Issuer to pay amounts due on the Certificates is solely dependent on SEC's ability to fund such obligations from its operating cash flows, borrowings and/or Government support. Therefore, any decline in such operating cash flows or any difficulty in securing external funding at a time when sufficient Government support is not available, may materially adversely affect SEC's ability to make the relevant payments under the Transaction Documents to which it is a party in order for the Issuer to pay amounts due on the Certificates.

The SEC Group has benefitted from significant Government support, and any reduction or delay in the level of support provided to the SEC Group could significantly and adversely affect its business, results of operations and financial condition

The SEC Group has historically benefitted from significant Government support in the form of subsidised loans, higher tariffs for electricity supplied to Governmental customers, the provision of subsidised fuel through Saudi Aramco, the assumption by the Government of certain payables due to Saudi Aramco in respect of supplied fuel, the granting of certain rights of way to SEC, the ability to defer significant payments to Saudi Aramco, Saline Water Conversion Corporation (**SWCC**) and certain Government-related entities (see "*Description of the SEC Group's Business – Relationship with the Government*"), the waiver of certain dividends, including the waiver of dividends in respect of the PIF's shares in SEC for the 2019 financial year (see "*Description of the SEC Group's Business – Relationship with the Government*"), and most recently through the establishment of the balancing account (see "*Description of the SEC Group's Business – Strategy – Sustainability and Efficiency*"). These arrangements are subject to change at any time, and there is no guarantee that this significant level of Government support will continue. Given the importance of this Government support to SEC's business, any change or delay in the level of Government support provided could result in a material adverse effect on the SEC Group's business, results of operations and financial condition and may affect SEC's ability to satisfy its obligations to make the relevant payments under the Transaction Documents to which it is a party in order for the Issuer to pay the amounts due under the Certificates.

In particular, as of 30 June 2020, SAR 18,615 million in trade payables reflects fuel supplied to SEC by Saudi Aramco in respect of the period from SEC's incorporation to 30 June 2020. In 2010, 2011, 2013, 2016, 2017 and 2018, certain amounts relating to fuel supplied to SEC by Saudi Aramco were transferred to the Government and recorded as Government payables, pursuant to the minutes of the meeting of the Council of Ministers dated 15/05/1427H (corresponding to 11/06/2006G) and the Council of Ministers' Resolution. At 30 June 2020, SEC had SAR 28,869 million of trade payables, 64.5 per cent. of which represented payments due to Saudi Aramco. There is no guarantee that the Government will also assume payment of these (or any future) accounts payable due to Saudi Aramco.

In addition, SEC ratings are currently dependent, in significant part, on the support provided by the Government to SEC and there is no assurance that such support will continue at current levels or at all. In particular, as oil is the Kingdom's most important export, the Kingdom's economy has been, and may continue to be adversely affected by the current low oil price environment that has been pervasive since the middle of 2014 and which has caused the Government to record actual budget deficits in the fiscal years 2014 to 2018, with an expected actual budget deficit for the 2019 fiscal year of SAR 130.7 billion (U.S.\$34.9 billion).

Any perception by a rating agency that such support has or is likely to weaken could result in SEC's ratings being downgraded which could adversely affect its ability to raise financing or increase the cost to it of any financing

raised. This, in turn, would be likely to adversely affect its ability to complete its capital expenditure programme and could make it more difficult for the SEC Group to refinance existing financings when they fall due to be repaid, each of which would also adversely affect the SEC Group's business, financial condition and results of operations and may affect SEC's ability to satisfy its obligations to make the relevant payments under the Transaction Documents to which it is a party in order for the Issuer to pay the amounts due under the Certificates.

In addition, certain of SEC's borrowings require it to maintain a rating from at least two of the three major rating agencies that is proximate to that of the Kingdom. A downgrading of SEC's rating to more than two rating levels below that of the Kingdom would breach this covenant which could have materially adverse consequences for SEC, see "*Risk factors relating to the financing by SEC of its capital expenditure and operations – Restrictive covenants included in certain of SEC's financing arrangements could materially adversely impact its ability to raise financing in the future*".

SEC is majority-owned by the Government whose interests may, in certain circumstances, not be aligned with the interests of Certificateholders

SEC's issued share capital is approximately 74.3 per cent. owned by the Public Investment Fund (the **PIF**), which is wholly owned by the Government, and approximately 6.9 per cent. owned by Saudi Aramco, which is 98.2 per cent. owned by the Government. Accordingly, the Government has the ability to significantly influence SEC's business through its ability to control decisions and actions of SEC that require shareholder approval as well as its ability to control the composition of SEC's board of directors (the **Board**) and thus influence Board decisions. The interests of the Government may be different from those of SEC's creditors and other stakeholders (including the Certificateholders). For example, the Government's key objective is to ensure the stable supply of electricity to the Kingdom's residents and businesses at affordable costs rather than the optimisation of the SEC Group's revenue and profits. As a result, the interests of the Government may conflict with SEC's objectives as a commercial enterprise, and there can be no assurance that the Government will not take any action to further its own objectives which may be in conflict with the interests of SEC or the Certificateholders. Any such actions by the Government may adversely affect the SEC Group's business, financial condition, results of operations and cash flows and may affect SEC's ability to satisfy its obligations to make the relevant payments under the Transaction Documents to which it is a party in order for the Issuer to pay the amounts due under the Certificates.

Electricity tariffs in the Kingdom are not set by SEC and, as a result, may not reflect commercial or market terms, including any increases in the SEC Group's cost of production

Substantially all of SEC's revenues are generated from the sale of electricity to its customers in the Kingdom based on regulated tariffs.

Tariffs for the consumption of electricity by residential customers in the Kingdom are determined by the Council of Ministers, based on recommendations by the Electricity and Co-generation Regulatory Authority (**ECRA**), and are currently insufficient to cover the SEC Group's costs of generating the energy supplied. Non-residential tariffs are set by ECRA, although such tariffs must not exceed SAR 0.26 /Kilowatt-hour (**KWh**) without the approval of the Council of Ministers. Between SEC's establishment in 2000 and July 2010, the electricity tariff structure in the Kingdom remained largely unchanged. Increases to the tariffs were implemented in July 2010, January 2016 and January 2018.

There can be no assurance that the Council of Ministers or ECRA, as applicable, will approve any further increase to these tariffs in the future, and tariffs may remain below SEC's cost of production for extended periods of time. Accordingly, the SEC Group's ability to remain profitable in the future will depend on continued direct and indirect support by the Government (whether in the form of direct financial support, below-market fuel prices, the balancing account or otherwise) or tariff increases. Any failure to increase tariffs in line with increased operating costs or reduced Government support could have a material adverse effect on the SEC Group's business, financial condition, results of operations and cash flow and may affect SEC's ability to satisfy its obligations to make the relevant payments under the Transaction Documents to which it is a party in order for the Issuer to pay the amounts due under the Certificates.

The SEC Group is dependent on a single related-party supplier of fuel at prices set by the Government

Pursuant to Royal Decree No. M/96 dated 24/07/1415H (corresponding to 27/12/1994G), Saudi Aramco is obliged to supply fuel to the SEC Group for its power generation business at prices that are set by the Government. The price set by the Government for the fuel supplied by Saudi Aramco is currently below the market price of such fuel. See "*Description of the SEC Group's business – Fuel supply*".

The Government may increase the price that Saudi Aramco charges for the fuel that is supplied to SEC at any time, and any such increase may not be matched by a corresponding increase in the tariff that the SEC Group is permitted to charge for electricity. Accordingly, any such increase in fuel supply price may materially and adversely affect the SEC Group's business, prospects, results of operations, cash flow and financial condition and may affect SEC's ability to satisfy its obligations to make the relevant payments under the Transaction Documents to which it is a party in order for the Issuer to pay the amounts due under the Certificates.

SEC's power plants can generally operate using either natural gas or other fuels. While SEC prefers to use natural gas for its generation plants, since it is the most environmentally friendly and efficient fuel and causes less damage to the power plants and equipment relative to other fossil fuels, the fuel that is ultimately used in that plant is largely dependent on the type of fuel that Saudi Aramco is able to supply to SEC for that plant. There is no guarantee that the fuel mix supplied by Saudi Aramco will be in line with SEC's preferences in terms of efficiency and maintenance costs.

In addition, as the sole supplier to SEC for fuel, in the event that Saudi Aramco is unable to supply some or all of the fuel required by the SEC Group or is unable to supply the required mix of fuels for the SEC Group's generation facilities, the SEC Group's ability to generate power from its plants would be materially adversely impacted unless it was able to source alternative fuel supplies, which may not be available. Moreover, since Saudi Aramco is obliged by royal decree to supply fuel to the SEC Group at prices which are below the market price, and the SEC Group has historically had the ability to defer payment for these fuel supplies, (see "*Description of the SEC Group's Business – Business Strengths – Government Support*"), any alternative fuel supply arrangement would significantly increase the SEC Group's operating costs. Any prolonged disruption in the supply of fuel by Saudi Aramco would, therefore, materially adversely affect the SEC Group's business, prospects, results of operations and financial condition and may affect SEC's ability to satisfy its obligations to make the relevant payments under the Transaction Documents to which it is a party in order for the Issuer to pay the amounts due under the Certificates.

Risk factors relating to the financing by SEC of its capital expenditure and operations

SEC may not be able to obtain sufficient funding to finance, and may be subject to increased financing risk as a result of undertaking increased indebtedness in connection with, its planned capital expenditure programme

In order to meet growing demand for electricity in the Kingdom, SEC needs to undertake substantial capital expenditure over the period to at least 2023 to expand and upgrade its generation, transmission and distribution businesses.

Historically, SEC has funded its capital expenditure through Government support, including capital contributions and subsidised loans, cash flow from operations and external borrowings. There can be no assurance that the Government will continue to provide support to SEC to fund its future capital expenditure.

SEC has also raised financing from external sources in order to fund some of its capital expenditure. SEC's ability to obtain external financing and the cost of such financing are dependent upon numerous factors including general economic and market conditions in the Kingdom of Saudi Arabia and internationally, international interest rates, credit availability from banks or other lenders, investor confidence in SEC and the success of SEC's business as well as restrictions contained in its existing debt agreements, see further "*- Disruptions in the global financial markets may adversely affect the SEC Group and its ability to secure financing*" and "*- Restrictive covenants included in certain of SEC's financing arrangements could materially adversely impact its ability to raise financing in the future*".

There can be no assurance that external financing or refinancing, either on a short-term or a long-term basis, will be available or, if available, that such financing will be obtainable on terms that are not onerous to SEC. Should SEC be unable to raise funds for its capital expenditures at any time, this could require it to scale back, defer or cancel existing projects which could have a material adverse effect on the SEC Group's business, financial condition, results of operations and cash flows.

As at 30 June 2020, SEC had SAR 74,627 million of outstanding term loans in addition to SAR 39,290 million of sukuk, SAR 49,861 million of Government loans and SAR 92,495 million of government credit payables. SEC's significant level of indebtedness and the increased indebtedness SEC is planning on undertaking in connection with its capital expenditure programme may require a substantial portion of cash flow from operations to be dedicated to the payment of principal, interest (to the extent payable) and other financing costs in respect of SEC's indebtedness (including the relevant payments under the Transaction Documents to which it is a party in order for the Issuer to pay the amounts due under the Certificates), thereby reducing its ability to use its cash flow to fund

its operations, capital expenditure and future business opportunities. This may also limit SEC's ability to raise capital to fund any future capital expenditure or operations, expose SEC to the risk of increased interest rates and/or increased costs to hedge interest rates, limit SEC's ability to adjust to changes in demand for electricity and expose SEC to refinancing risk to the extent that SEC is unable to repay its borrowings out of internally generated cash flow. Any of the foregoing could have a material adverse effect on SEC's business, financial condition, results of operations and cash flows and may affect SEC's ability to satisfy its obligations to make the relevant payments under the Transaction Documents to which it is a party in order for the Issuer to pay the amounts due under the Certificates.

Disruptions in global credit markets may adversely affect the SEC Group and its ability to secure financing

Global credit markets have been and continue to be affected by periods of uncertainty, volatility and disruption, including most recently as a result of the COVID-19 pandemic (see “- *The COVID-19 pandemic has caused significant disruption to the global economy and has also caused disruption to the Kingdom's economy and impacted the SEC Group's business, and COVID-19 or the outbreak of other communicable diseases around the world may cause further disruption*”), events such as the referendum held in June 2016 by which voters in the United Kingdom voted to exit the European Union (and the continued uncertainty as to the terms of the future relationship between the UK and the EU, which is currently under negotiation during a transition period that is scheduled to last until 31 December 2020) and in the period following the global financial crisis of 2008-9. These challenging market conditions have resulted, at times, in reduced liquidity, greater volatility, widening of credit spreads and lack of price transparency in credit markets. Any worsening of general global economic conditions or any change in investment markets, including, but not limited to, changes in expectations for international, regional or local growth rates, geopolitical tensions, commodity prices, international interest rates, exchange rates and returns from equity, property and other investments, may affect SEC's ability to secure financing on terms similar to those received in the past or at all. Furthermore, a lack of liquidity in the financial markets may also impact the ability of the SEC Group's customers to honour their commitments to the SEC Group or the ability of the SEC Group's contractors to complete existing projects. Any of the foregoing could have a material adverse effect on the SEC Group's business, financial condition and results of operations and may affect SEC's ability to satisfy its obligations to make the relevant payments under the Transaction Documents to which it is a party in order for the Issuer to pay the amounts due under the Certificates.

Restrictive covenants included in certain of SEC's financing arrangements could materially adversely impact its ability to raise financing in the future

SEC is party to a number of long-term financing arrangements in the domestic and international capital markets. One of the domestic arrangements contains restrictive covenants, including restrictions on incurring additional indebtedness (subject to certain agreed exceptions) and compliance with leverage and minimum tangible net worth ratios. In order to issue the Certificates, SEC sought and obtained from the relevant lender its consent to the issue of the Certificates. In view of SEC's increased external financing requirements as a result of its capital expenditure programme, it is likely that SEC may need to seek further consents in relation to future borrowings, and it is possible that SEC may need to renegotiate certain restrictive covenants, such as the leverage ratio, or seek waivers in respect of possible breaches of restrictive covenants.

Should SEC need, in the future, to renegotiate any restrictive covenants or obtain a waiver in respect of any breach of such a covenant, no assurance can be given that it will be successful. Any failure to renegotiate such covenants could restrict SEC's ability to raise financing in the future which could adversely impact its capital expenditure programme, which may have a material adverse effect on the SEC Group's business, financial condition, results of operations and cash flows and may affect SEC's ability to satisfy its obligations to make the relevant payments under the Transaction Documents to which it is a party in order for the Issuer to pay the amounts due under the Certificates.

In addition, any breach of such covenants which is not waived by the relevant lender could result in the relevant financing being accelerated and potentially trigger cross-default provisions under the SEC Group's other financing arrangements, including the Transaction Documents, which may have a material adverse effect on the SEC Group's business, financial condition, results of operations and cash flows and may affect SEC's ability to satisfy its obligations to make the relevant payments under the Transaction Documents to which it is a party in order for the Issuer to pay the amounts due under the Certificates.

Risk factors relating to SEC's business and operations

The COVID-19 pandemic has caused significant disruption to the global economy and has also caused disruption to the Kingdom's economy and impacted the SEC Group's business, and COVID-19 or the outbreak of other communicable diseases around the world may cause further disruption

The coronavirus COVID-19 pandemic (**COVID-19**), as an outbreak of a communicable disease on a global scale, has had a significant impact on investment sentiment, resulting in volatility in global capital markets and impacting commodity prices. The resulting restrictions on travel and public transport, requirements for people to remain at home and practice social distancing, and prolonged closures of workplaces have impacted trade and transportation of goods and severely disrupted the global economy. This has caused equity and bond markets to fall, resulted in high levels of unemployment, and negatively impacted the global demand for oil and oil prices. It is expected to have a material negative impact on global growth rates, which are likely to negatively impact the Kingdom's GDP.

The Kingdom took a number of temporary precautionary and preventative measures to contain the outbreak. These included suspending all international flights, certain public and private sector work and attendance by employees at most government workplaces, requiring citizens to remain at home and practice social distancing, closing commercial markets and malls other than for pharmacies and food supply activities, imposing curfews in several cities, and banning citizens, residents and visitors from performing the Umrah, although these measures have been, and continue to be, relaxed and/or lifted, with many having been lifted completely such that only those relating to international flights, religious pilgrimages and social gatherings of more than 50 people remain as at the date of this Prospectus. Depending on the extent to which the outbreak is contained, any relaxation and/or lifting of such measures may need to be reversed from time to time and it is not known as at the date of this Prospectus how long and the extent to which any such measures may remain in place. Despite the above measures, the efficacy of any preventive measures may be insufficient to ameliorate the negative economic impact of COVID-19 on the Kingdom, particularly if it impacts the operations of the Kingdom's oil infrastructure or essential government services. In addition, the reduction in global oil prices may also slow the pace of investment in the Kingdom.

The impact of COVID-19 on the SEC Group is similarly uncertain. The Kingdom has announced that customers in the commercial, industrial and agricultural sectors will receive a 30 per cent. discount on the cost of electricity supplied to them for the months of April and May 2020, with the possibility of the period to which this discount is to apply being extended if deemed necessary. Commercial and industrial sector customers will also be able to pay 50 per cent. only of their electricity costs for the months of April, May and June 2020, with the remaining amounts to be paid in six month instalments starting from January 2021 and the possibility of this payment period also being postponed further if deemed necessary.

The imposition of the above precautionary and preventative measures in the Kingdom is further expected to lead to a decrease in demand for electricity from the industrial, commercial and governmental sectors and an increase in demand from the residential sector. The impact of these changes in demand on the SEC Group's business, financial condition and results of operation is not possible to determine as at the date of this Prospectus. It will depend, among other things, on how long and the manner in which any such preventive measures remain in place (including any re-introduction of such measures, whether any further measures are at any time implemented and the extent of any such measures). It will also depend on how the different sectors of the Kingdom's economy respond on any removal, lifting or re-introduction of any such measures, as well as any longer term impact of these measures, and similar measures in other countries, together with any wider impact of COVID-19 more generally. The above measures taken by the Kingdom that are specific to the electricity sector are not expected to negatively impact SEC, other than the postponement of the payment period for commercial and industrial sector customers, which may have a negative impact on SEC's cash-flows, as SEC will be exempted from paying the Government fee in an amount equal to the cost to SEC of the discounts provided to its commercial, industrial and agricultural customers.

Furthermore, if COVID-19 results in a lack of liquidity in the financial markets, this may also have all or any of the above impacts on the SEC Group. See "*Risk factors relating to the financing by SEC of its capital expenditure*"

and operations - Disruptions in the global credit markets may adversely affect the SEC Group and its ability to secure financing”.

The COVID-19 pandemic is ongoing as at the date of this Prospectus and the duration, impact and severity of the outbreak cannot be predicted and may be significant, particularly in the short term. There can be no assurance that COVID-19 or the outbreak of other communicable diseases around the world will not result in a prolonged or further decline in oil prices, or that this will not have a prolonged adverse effect on the Kingdom’s economy or on the SEC Group’s business, financial condition and results of operations.

The SEC Group’s capital expenditure programme is subject to various development and construction risks

The SEC Group is currently in the process of developing a number of new generation plants that are in various stages of development, construction and commissioning, see “*Description of the SEC Group’s business – Business units – Electricity generation – Electricity generated and generation capacity factors*”. Future capital expenditure is expected to be more in the areas of transmission and distribution. The SEC Group’s larger projects are mostly outsourced to third-party contractors through “turnkey” contracts, meaning that each phase of such projects, including the planning, design and construction phases, are outsourced to third-party contractors. These projects typically require substantial capital expenditure and may take months or years before they become operational, during which time the SEC Group is subject to construction, operating and other risks, a number of which are beyond its control including:

- an inability to find a suitable contractor or sub-contractor either at the commencement of a project or following a default by an appointed contractor or sub-contractor;
- default or failure by its contractors or sub-contractors to finish projects or parts of projects on time, according to specifications or within budget;
- disruption in service and limited access to third parties, such as architects, engineers or other service providers;
- difficulties in connecting new generation plants to existing or new transmission and distribution networks;
- shortages or escalating costs of construction materials and increased global commodity prices;
- shortages or increases in the costs of equipment;
- breakdown or failure of equipment, processes or technology;
- delays due to adverse weather or other events beyond the SEC Group’s control;
- environmental issues and costs;
- start-up and commissioning problems;
- onerous contract terms and/or disputes with contractors or sub-contractors; or
- work stoppages or labour disputes.

The occurrence of one or more of these events in relation to current or future projects may negatively affect the SEC Group’s ability to complete such projects on schedule or within budget, if at all. This may result in the SEC Group’s inability to meet customer demand for electricity and accordingly may result in a material adverse effect on SEC’s reputation, business, financial condition, results of operations and cash flow and may affect SEC’s ability to satisfy its obligations to make the relevant payments under the Transaction Documents to which it is a party in order for the Issuer to pay the amounts due under the Certificates.

In addition, the performance achieved by a new power plant could be below expected levels of output or efficiency due to issues such as those relating to its design or specifications. If a new power plant fails to achieve the required levels of performance, this could adversely affect the return on the SEC Group’s investment in that plant which, in turn, may have an adverse effect on the SEC Group’s business, financial condition, results of operations and cash flow and may affect SEC’s ability to satisfy its obligations to make the relevant payments under the Transaction Documents to which it is a party in order for the Issuer to pay the amounts due under the Certificates.

The SEC Group is reliant upon skilled personnel in the engineering and technical fields and may not be able to recruit and retain qualified personnel

The SEC Group's business and operations are dependent upon its ability to recruit and retain skilled engineering personnel and other technical personnel. If the SEC Group is unable to retain experienced, capable and reliable personnel, especially senior and middle management with appropriate professional qualifications, or fails to recruit skilled professional and technical staff to replace those who leave, the SEC Group's operations may be adversely affected. There is significant demand for experienced and capable personnel in the engineering and technical fields in the Kingdom reflecting both the increasing number of independent power producers (**IPP**) and independent water and power producers (**IWPP**) projects which require such staff. In addition, the Government's increasing focus on enforcing requirements for companies in the private sector in the Kingdom to employ a specified percentage of Saudi nationals as part of Vision 2030 may also increase competition for talent (see "*Management and Employees – Saudisation*"). As a Government-owned company, SEC already employs a high number of such personnel and is experiencing continued and increasing competition for their talents. Consequently, when talented and trained employees leave, SEC may have difficulty replacing them and may incur additional costs and expenses in securing such replacements.

In addition, the loss of any member of SEC's senior management team or the loss of any of the SEC Group's other key employees may result in a loss of organisational focus, poor execution of operations, or an inability to identify and execute potential strategic initiatives such as expansion of capacity. The occurrence of any of these events may have a material adverse effect on the SEC Group's business, financial condition, results of operations and cash flow and may affect SEC's ability to satisfy its obligations to make the relevant payments under the Transaction Documents to which it is a party in order for the Issuer to pay the amounts due under the Certificates.

The SEC Group may be subject to increased prices for any additional electricity it may be required to purchase, which may not be reflected in the tariffs that it is permitted to charge for the supply of electricity, and may not be able to obtain any additional electricity it may require

At times of peak demand the SEC Group has, in the past, needed to purchase additional electricity from the SWCC and other available sources to meet demand and expects to continue to do so in the future. In the year ended 31 December 2019, SEC purchased 132,075 GWh of additional electricity from third-party suppliers, which constituted approximately 39.4 per cent. of the total electricity generated at the SEC Group's plants and transmitted to its networks. See "*Description of the SEC Group's business – Businesses – Electricity generation – Generation capacity – Peak demand*". The SEC Group purchases additional electricity from SWCC pursuant to tariffs set by the Council of Ministers. Under the current tariffs in force, the SEC Group pays SWCC 3.7 Halalah/KWh for energy, such that the average combined price payable for demand charges and energy does not exceed 3.8 Halalah/KWh. The Council of Ministers has the power to change these tariffs.

Until the SEC Group increases its own installed generation capacity to levels which are sufficient to meet peak demand, any inability to purchase electricity from SWCC or any other available source or any increases in the prices which SWCC charges for the electricity that it generates or at which the SEC Group is able to purchase electricity from other sources and which is not matched by a corresponding increase in the tariff that the SEC Group is permitted to charge for electricity it supplies could have a material adverse effect on the SEC Group's business, financial condition, results of operations and cash flow and may affect SEC's ability to satisfy its obligations to make the relevant payments under the Transaction Documents to which it is a party in order for the Issuer to pay the amounts due under the Certificates.

The SEC Group's counterparties may default on their contractual obligations which may result in materially increased costs or losses for the SEC Group

SEC Group companies enter into contracts with a range of counterparties, including customers, contractors, sub-contractors, architects, engineers, operators, other service providers, suppliers and customers, and accordingly, the SEC Group is subject to the risk that a counterparty will be unable or unwilling to honour its contractual obligations and that any guarantee or performance bond in respect of such obligations will also not be honoured. The SEC Group's counterparties may default on their obligations for any number of reasons, including as a result of their bankruptcy, a lack of liquidity or operational failure. Such counterparty risk is more acute in difficult market conditions where there is an enhanced risk of default by counterparties.

For example, any failure of a material project counterparty or, where relevant, its guarantor, to fulfil its contractual obligations could adversely impact the SEC Group through delayed completion of the relevant project or through

its impact on the operations of a completed project, including the construction of power plants in connection with SEC's planned IPP and IWPP programme. Even though the arrangements entered into by SEC with its contractors may allocate some of the risk of delays or failure to the contractors through the use of performance bonds, SEC may not always be able to obtain indemnification from its contractors with respect to any breaches, failures or delays and accordingly, the SEC Group may have to bear the additional costs required to complete the project. This may result in a material adverse effect on the SEC Group's reputation, business, financial condition, results of operations and cash flows and may affect SEC's ability to satisfy its obligations to make the relevant payments under the Transaction Documents to which it is a party in order for the Issuer to pay the amounts due under the Certificates.

The SEC Group's forecasts of future demand for electricity in the Kingdom may be inaccurate, which may lead to increased costs and operational inefficiency, as a result of too much capacity or the inability to meet demand

The SEC Group's current capital expenditure programme is based upon forecasts for growth in demand for electricity in the Kingdom which are based on a number of material assumptions, including population growth trends and trends in future electricity consumption and prices, and there is the risk that such assumptions may be inaccurate. Furthermore, SEC is increasingly committing to take-or-pay contracts with IPPs and IWPPs. To the extent that SEC has overestimated future electricity demand or under-utilises the services under its take-or-pay contracts and is, subsequently, unable to revise its capital expenditure programme, the SEC Group may be unable to receive the expected returns on its capital expenditure. To the extent that the SEC Group has underestimated future electricity demand, it may be unable to meet demand and may be required to purchase electricity from third-party sources at an increased rate that is not reflected in the tariffs charged. See "*– The SEC Group may be subject to increased prices for any additional electricity it may be required to purchase, which may not be reflected in the tariffs that it is permitted to charge for the supply of electricity, and may not be able to obtain any additional electricity it may require*". Either result may have a material adverse effect on the SEC Group's business, financial condition, results of operations and cash flows and may affect SEC's ability to satisfy its obligations to make the relevant payments under the Transaction Documents to which it is a party in order for the Issuer to pay the amounts due under the Certificates.

The SEC Group may experience equipment failures or such equipment may otherwise not operate as planned

The operation of industrial facilities such as power generation plants means that the SEC Group's business is exposed to certain operating risks. Such risks can include, among other things, unplanned outages, equipment failure or facilities operating inefficiently or below capacity. In addition, SEC may need to temporarily shut down some of its power plants and incur expenses in connection with inspections, maintenance or repair activities in addition to those that they currently conduct, including such additional activities required by regulators. Any such occurrences could affect SEC's ability to supply electricity at levels sufficient to meet demand. There is no assurance that any alternative sources such as back up facilities maintained by SEC or the purchase of electricity from third parties will be available when needed or that such sources will be able to provide adequate amounts of electricity to meet any shortfalls in SEC's own supply. Any service disruption may cause loss in electricity generation, customer dissatisfaction, a decrease in revenues and other unforeseen costs and expenses which could have a material adverse effect on SEC's reputation, business, results of operations and financial condition and cash flow and may affect SEC's ability to satisfy its obligations to make the relevant payments under the Transaction Documents to which it is a party in order for the Issuer to pay the amounts due under the Certificates.

The continual operation of power plants, as well as natural processes such as erosion and corrosion, has an impact on the condition of the equipment and components of SEC's power plants. The impact of such operation and processes tends to increase as the plant, equipment and components grow older, and as a result, older plants and equipment generally require greater maintenance, operate less efficiently than more modern plant and equipment and, accordingly, are significantly more expensive to operate. SEC cannot give any assurance that it will be successful in its inspection and maintenance practices, including the proactive repair or replacement of equipment and components before they fail, which could have a material adverse effect on its business, financial condition, results of operations and cash flow and may affect SEC's ability to satisfy its obligations to make the relevant payments under the Transaction Documents to which it is a party in order for the Issuer to pay the amounts due under the Certificates.

The SEC Group's national average reserve capacity margin (which is the margin of actual generation capacity above the national peak demand for such capacity) was between 21.7 and 33.5 per cent. during the summer months of May to September in 2019, which is typically when electricity use is at its highest in the Kingdom. Peak demand times within the different regions in the Kingdom do not usually coincide due to the relatively large geographical

size of the Kingdom and the resulting differences in the time of day at which the sun is at its highest point and the time of sunrise and sunset. This means that the national peak demand tends to be lower than the sum of peak demand levels in each region and the effective capacity margin for each region may actually prove to be lower than the capacity margin calculated above the national peak demand. The Kingdom's four operating regions are also almost fully interconnected through the transmission network. However, as a result of congestion and the fact that some isolated areas in the Kingdom are not yet connected to the transmission network, this has resulted in some regions of the Kingdom experiencing power outages in recent years. Such power outages have resulted in a loss of revenue for the SEC Group. To the extent that interconnection does not improve and such power outages continue to occur, this could result in a further loss of revenue, customer dissatisfaction and other unforeseen costs and expenses, and, accordingly, have an adverse effect on SEC's reputation, business, financial condition, results of operations and cash flow and may affect SEC's ability to satisfy its obligations to make the relevant payments under the Transaction Documents to which it is a party in order for the Issuer to pay the amounts due under the Certificates.

The SEC Group may encounter difficulties in implementing its overall strategy and capital expenditure programme going forward, or such strategy and expansion plans may ultimately be unsuccessful

The SEC Group is focused on optimising its generation capacity in order to meet anticipated future demand and investing in its transmission and distribution capabilities, including improving the interconnectivity of its transmission network, both throughout the Kingdom and internationally. Additionally, there is also an on-going process for the restructuring of the SEC Group's business, in connection with the Government's initiative to promote greater competition in the electricity industry (see "*Description of the SEC Group's Business – Restructuring of the SEC Group*").

There can be no assurance that SEC's strategy and/or restructuring plans will be successful for, or that SEC will be successful in implementing, all aspects of its strategy and restructuring plans without exposing the SEC Group to risk. Unexpected events related to both internal and external factors (many of which are described elsewhere in "*Risk Factors*") may occur which could impair the SEC Group's ability to successfully implement any or a material part of its strategy and restructuring plans. Such events could have a material adverse effect on its reputation, business, financial condition, results of operations and cash flow and may affect SEC's ability to satisfy its obligations to make the relevant payments under the Transaction Documents to which it is a party in order for the Issuer to pay the amounts due under the Certificates.

The SEC Group's facilities and operations may be adversely affected by terrorist attacks, natural disasters or other catastrophic events over which the SEC Group has no control

Saudi Arabia has experienced occasional terrorist attacks and other disturbances in recent years including incidents in Jeddah, Medina and Qatif in July 2016 and oil tanker sabotage and drone strikes on a crude oil pipeline in May 2019 and on a natural gas liquids facility in Shaybah in August 2019. In addition, on 14 September 2019, the Abqaiq processing facility and the Khurais processing facility in Saudi Arabia were damaged in a major act of sabotage which resulted in the temporary interruption of Saudi Arabia's oil and gas production. While SEC maintains political violence insurance coverage for its power plants and sub stations across the Kingdom, in the event of any sabotage, act of terrorism, malicious damage, riots, strikes and/or civil commotion as well, as subsequent business interruption loss, no assurance can be given as to whether such insurance will be sufficient and as to the extent of any disruption to SEC's business as a result of any such event, which could be significant.

Further, the SEC Group's facilities and business operations could be adversely affected or disrupted by natural disasters (such as earthquakes, tsunamis or fires, among others) or other potentially catastrophic events that are beyond the SEC Group's control and which may not be covered by insurance, see "*The SEC Group may not be able to maintain sufficient insurance coverage for the risks associated with the operation of its business*". While no power plants, transmission cables or distribution lines owned by the SEC Group have been affected as a result of any seismic activity to date, the Western and Southern operating regions (see "*Description of the SEC Group's business – History*") have been prone to seismic activity in the past. There can, therefore, be no assurance that the SEC Group's business operations will not, in the future, be disrupted by catastrophic events.

The occurrence of any of these events which results in material damage to one or more of SEC's key generation facilities or any of its significant transmission or distribution infrastructure would adversely affect the SEC Group's ability to supply electricity and therefore have a material adverse effect on its reputation, business, financial condition, results of operations and cash flow and may affect SEC's ability to satisfy its obligations to

make the relevant payments under the Transaction Documents to which it is a party in order for the Issuer to pay the amounts due under the Certificates.

The SEC Group may not be able to maintain sufficient insurance coverage for the risks associated with the operation of its business

The SEC Group's operations may be affected by a number of risks, including terrorist acts and war-related events. SEC maintains political violence insurance coverage for its power plants and sub stations across the Kingdom in the event of any sabotage, act of terrorism, malicious damage, riots, strikes and/or civil commotion, as well as subsequent business interruption loss. However, no assurance can be given as to whether such insurance will be sufficient and full insurance cover is generally either not available or not available on commercially reasonable terms. The severity and frequency of various events, such as accidents and other mishaps, business interruptions or potential damage to its facilities, property and equipment caused by inclement weather, human error, pollution, labour disputes and natural catastrophes, may result in losses or expose the SEC Group to liabilities in excess of its insurance coverage. SEC cannot assure investors that its insurance coverage will be sufficient to cover losses arising from any, or all, of such events, or that it will be able to renew existing insurance cover on commercially reasonable terms, if at all.

In addition, the SEC Group's insurance policies are subject to commercially negotiated deductibles, exclusions and limitations, and the SEC Group will only receive insurance proceeds in respect of a claim made to the extent that its insurers have the funds to make payment. Therefore, insurance may not cover all losses incurred by the SEC Group and no assurance is given that the SEC Group will not suffer losses beyond the limits of, or outside the cover provided by, its insurance policies.

Should an incident occur in relation to which the SEC Group has no insurance coverage or inadequate insurance coverage, the SEC Group could lose the capital invested in, and anticipated future revenues relating to, any property that is damaged or destroyed and, in certain cases, the SEC Group may remain liable for financial obligations related to the impacted property. Similarly, in the event that any assessments are made against the SEC Group in excess of any related insurance coverage that it may maintain, its assets could be subject to attachment, confiscation or restraint under various judicial procedures. Any of these occurrences could have a material adverse effect on the SEC Group's business, financial condition and results of operations and may affect SEC's ability to satisfy its obligations to make the relevant payments under the Transaction Documents to which it is a party in order for the Issuer to pay the amounts due under the Certificates.

SEC Group companies may be subject to liabilities as a result of any violation of applicable regulations affecting the electricity industry in the Kingdom, including environmental and safety standards

The risks of environmental damage, such as pollution and leakage, are inherent in the electricity industry, and the use of machinery and high-voltage equipment may involve significant health and safety risks. Potential health, safety and environmental events that may materially impact SEC's operations include fires, flooding, explosions, light vehicle incidents, falls from height, electrocutions, incidents involving equipment and emissions of harmful gases or chemicals. Fatalities, or serious injury, to employees or site contractors may occur due to these or other factors. Such events have occurred in the past and may occur in the future.

The SEC Group is subject to an electricity law which was enacted in the Kingdom pursuant to Royal Decree No. M/56 dated 20/10/1426H (corresponding to 22/11/2005G) (the **Electricity Law**) as amended pursuant to Royal Decree No. M/45 dated 06/07/1432H (corresponding to 08/06/2011G) and is regulated by ECRA. The Electricity Law sets out and regulates, among other things, the licensing requirements, and the setting of non-residential tariffs by ECRA. As a result, the SEC Group is subject to applicable environmental and safety regulations in force in the Kingdom which set various standards for regulating certain aspects of health, safety, security and environmental quality and impose civil and criminal penalties and other liabilities for any violations. See "*Description of the SEC Group's Business – Regulation*".

SEC has adopted environmental standards applicable to its operations and, while as at the date of this Prospectus SEC believes it is in compliance with all applicable environmental and safety regulations in force in the Kingdom, there can be no guarantee that it will continue to be in compliance in the future. Should any SEC Group company fail to comply with any such regulations, it may be liable for penalties and/or the consequences of default under any contractual obligations requiring it to comply with applicable regulations.

In addition, relevant authorities in the Kingdom may enforce existing regulations, including environmental and safety laws and regulations, more strictly than they have done in the past and may in the future impose stricter

standards, or higher levels of fines and penalties for violations, than those which are in effect at present. Accordingly, SEC is unable to estimate the future financial impact of compliance with, or the cost of a violation of, any applicable regulations.

Any occurrence of environmental damage or loss of life or serious injury to its employees as a result of any breach of applicable safety legislation may result in a disruption of the SEC Group's services or cause reputational harm, and significant liability could be imposed on SEC for damages, clean-up costs and penalties and/or compensation as a result.

The occurrence of any of these events may also cause disruption to the SEC Group's projects and operations and result in additional costs to the SEC Group, which may have a material adverse effect on the SEC Group's business, financial condition, results of operations and cash flows may affect SEC's ability to satisfy its obligations to make the relevant payments under the Transaction Documents to which it is a party in order for the Issuer to pay the amounts due under the Certificates.

The SEC Group may become subject to competition

SEC is currently the primary generator and sole-off taker of electricity in the Kingdom and has a regulated monopoly position in respect of both the transmission of electric power and the distribution of electricity to consumers in the Kingdom. The Government is in the process of restructuring the electricity sector in the Kingdom and as part of its efforts to restructure the electricity sector, the Government intends to promote greater competition in the electricity industry by facilitating the establishment of IPPs and IWPPs. Since SEC is the sole off-taker of all energy produced by these IPPs and IWPPs pursuant to long-term power purchase agreements, SEC may be required to reduce the electricity generated at its own plants to continue meeting its purchase obligations under these long-term power purchase agreements, potentially at a higher cost than would otherwise be expended for electricity produced by its own plants, in response to any decreases in consumer demand, which may increase costs and adversely affects its results of operations. SEC continues to work with ECRA to facilitate this restructuring. See "*Description of the SEC Group's business – Restructuring of the SEC Group*".

The Government's plans to create competition and encourage privatisation of the electricity sector, particularly if such changes are made without introducing flexibility to the tariff regime, could have a material adverse effect on SEC's business, financial condition, results of operations, cash flows and affect its ability to satisfy its obligations to make the relevant payments under the Transaction Documents to which it is a party in order for the Issuer to pay amounts due on the Certificates.

The SEC Group is involved in ongoing discussions, disputes and litigation with suppliers, regulators and other parties, and is also at risk of improper conduct of its employees, contractors, suppliers, service providers and other business partners, the ultimate outcome of which is uncertain

In the ordinary course of its business, the SEC Group is subject to risks relating to discussions and disputes with suppliers, regulators and other parties, and legal and regulatory proceedings to which it or SEC Group companies are currently a party or which could develop in the future. It has also been involved in a number of disputes with Saudi Aramco, its sole supplier of fuel (see "*Description of the SEC Group's Business—Disputes with Saudi Aramco*"). Litigation, regulatory proceedings and disputes are unpredictable and legal or regulatory proceedings, or disputes in which the SEC Group is or becomes involved (or settlements thereof) could have a material adverse effect on its business, financial condition, results of operations and prospects and affect its ability to satisfy its obligations to make the relevant payments under the Transaction Documents to which it is a party in order for the Issuer to pay amounts due on the Certificates.

In addition, the SEC Group is at risk of improper conduct of its employees, contractors, suppliers, service providers and other business partners. The SEC Group has implemented and maintains corporate governance and compliance policies and procedures (including with respect to sanctions, anti-bribery and corruption, and anti-money laundering laws, rules and regulations), both to (i) identify potential transactions or dealings with sanctioned parties and parties at risk of being subject to sanctions and (ii) promote and monitor compliance with such sanctions, anti-bribery and corruption, and anti-money laundering laws, rules and regulations. However, no assurance can be given that the SEC Group's policies and procedures will always be successful in identifying such transactions or dealings or protecting it from any improper conduct of its employees, contractors, suppliers, service providers and other business partners. In the event of any such improper conduct or failure to identify any such transaction or dealing, this could result in the SEC Group being subject to regulatory investigations and

proceedings, and may result in significant reputational harm to the SEC Group, as well as the imposition of fines or other penalties on the SEC Group.

RISKS RELATING TO INVESTMENTS IN COMPANIES OPERATING IN THE KINGDOM OF SAUDI ARABIA

The SEC Group is subject to economic and political conditions in the Middle East, in general, and in the Kingdom, in particular

The SEC Group's operations are exclusively located in the Kingdom. As a result, the SEC Group's operating results and growth are and will be affected by general financial, political, social and economic developments in or affecting the Kingdom and/or the Middle East and, in particular, by the level of economic activity in the Kingdom. The economy of the Kingdom, as with the economies of many other countries, has experienced disruption as a result of COVID-19 (see "*Risks relating to SEC's business and operation — The COVID-19 pandemic has caused significant disruption to the global economy and has also caused disruption to the Kingdom's economy and impacted the SEC Group's business, and COVID-19 or the outbreak of other communicable diseases around the world may cause further disruption*"), with one such disruption being the contribution of COVID-19 to the steep decline of oil prices in the first quarter of 2020 (see "*The Kingdom's economy and the Government's budget are highly dependent upon revenues from oil*"). Furthermore, while the Saudi riyal has been pegged to the U.S. dollar since 1986 and it continues to be the policy of the Government to maintain the currency peg at its existing level, there can be no assurance that future unanticipated events, including an increase in the rate of decline of the Government's reserve assets, will not lead the Government to reconsider its exchange rate policy. There can be no assurance that economic conditions in the Kingdom will not worsen further in the future or that demand for electricity will not stagnate or decrease, any of which may result in a material adverse effect on the SEC Group's business, financial condition, results of operations and cash flow and may affect SEC's ability to satisfy its obligations to make the relevant payments under the Transaction Documents to which it is a party in order for the Issuer to pay the amounts due under the Certificates.

Similar to other countries in the Middle East, the Kingdom could be affected by political and social unrest in the region. Several countries in the region are currently subject to armed conflicts and/or social and political unrest, including conflicts or disturbances in Yemen, Syria, Libya and Iraq, as well as the multinational conflict with 'Da'esh' (also referred to as the 'Islamic State'). In some instances, the recent and ongoing conflicts are a continuation of the significant political and military upheaval experienced by certain regional countries from 2011 onwards, commonly referred to as the 'Arab Spring', which gave rise to several instances of regime change and increased political uncertainty across the region. In addition, tensions have persisted between the Kingdom and Iran, as exemplified in January 2016 by the Kingdom recalling its ambassador to Iran. Furthermore, in March 2015, a coalition of countries, led by the Kingdom and supported by the international community, commenced military action against the Al-Houthi rebels in Yemen. Although the coalition scaled back its military operations in Yemen in March 2016 and a ceasefire was declared in April 2016, the conflict in Yemen is not yet fully resolved, military operations continue at a reduced scale. The Kingdom was targeted on several occasions by ballistic missiles fired by the Al-Houthi rebels in Yemen during 2017, 2018 and 2019, all of which have been successfully intercepted by Saudi Arabia's defence systems. There can be no assurance that the conflict in Yemen will not continue or re-escalate. Additionally, on 14 September 2019, the Abqaiq processing facility and the Khurais processing facility in Saudi Arabia were damaged in a major act of sabotage which resulted in the temporary interruption of Saudi Arabia's oil and gas production. There can be no assurance what impact this act of sabotage may have on the geopolitical situation in the region, including any potential escalation.

Tensions have persisted between Saudi Arabia and Iran, as exemplified in January 2016 by Saudi Arabia recalling its ambassador to Iran. In addition, on 8 May 2018, the United States announced its withdrawal from the comprehensive agreement between the U.N. Security Council's five permanent members plus Germany and Iran that was reached on July 2015, reinstating U.S. nuclear sanctions on the Iranian regime. The United States also announced that it would not renew exceptional waivers for importing Iranian oil for several oil-importing countries, effective from May 2019, and on 2 January 2020, the United States carried out a military strike which killed a senior Iranian military commander. As a result of this military strike, Iran launched missiles at a US base in Iraq. There have since been repeated attacks by militia groups on Iraqi military bases housing foreign soldiers

and retaliatory strikes by the United States. Any continuation or increase in international or regional tensions regarding Iran or Iraq including further attacks on or seizures of oil tankers which disrupt international trade, including any impairment of trade flow through the Strait of Hormuz, or any military conflict, could have a destabilising impact on the Gulf region, including with respect to Saudi Arabia and its ability to export oil.

On 5 June 2017, three Gulf Cooperation Council (the **GCC**) countries – Saudi Arabia, the UAE and Bahrain – as well as Egypt and Yemen – severed diplomatic ties with Qatar, as well as cutting trade and transport links and imposing sanctions on Qatar. The stated rationale for such actions was Qatar’s support of terrorist and extremist organisations and Qatar’s interference in the internal affairs of other countries. There can be no assurance as to when diplomatic relations will be restored or when air, land and sea connections will be reopened with Qatar.

These geopolitical events may contribute to instability in the Middle East and surrounding regions (that may or may not directly involve the Kingdom) and may have a material adverse effect on the Kingdom’s attractiveness for foreign investment and capital, its ability to engage in international trade and, subsequently, its economy and financial condition, which, in turn, could have a material adverse effect on the SEC Group’s business, financial condition, results of operations and cash flow and may affect SEC’s ability to satisfy its obligations to make the relevant payments under the Transaction Documents to which it is a party in order for the Issuer to pay the amounts due under the Certificates.

Investors should also be aware that investing in emerging markets such as the Kingdom entails greater risks than investing in more developed markets, including risks such as:

- political, social and economic issues;
- external acts of warfare and clashes;
- governmental actions or interventions, including tariffs, protectionism, subsidies, expropriation of assets and cancellation of contractual rights;
- changes in, or in the interpretation, application or enforcement of, law and regulation;
- difficulties and delays in obtaining new permits and consents for the SEC Group’s operations or renewing existing ones; and
- potential lack of reliability as to title to real property.

Accordingly, the market value of the Certificates may fluctuate for reasons unrelated to the financial performance of SEC. Investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in the light of those risks, their investment is appropriate. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved.

Legislative and regulatory changes in the Kingdom may adversely affect SEC’s operations

SEC’s activities are subject to the laws of the Kingdom, including the Ministry of Energy’s regulations. Laws and regulations that are applied in the Kingdom may change from time to time. The Kingdom is also involved in ongoing negotiations relating to an international agreement to lower greenhouse gas emissions.

Changes in such laws and regulations and the imposition of any international obligations or frameworks could impose restrictions on SEC, as well as result in unanticipated costs. The occurrence of any of the above could have a material adverse effect on SEC’s business, financial condition, results of operations and affects its ability to make the relevant payments under the Transaction Documents to which it is a party in order for the Issuer to pay amounts due on the Certificates.

The Kingdom’s economy and the Government’s budget are highly dependent upon revenues from oil

The hydrocarbon industry is the single largest contributor to Saudi Arabia’s economy and oil revenues account for a majority of the Government’s total revenues and export earnings. Based on preliminary figures for 2018, the oil sector accounted for 43.2 per cent. and 43.0 per cent. of Saudi Arabia’s real gross domestic product (**GDP**) and 33.4 per cent. and 28.5 per cent. of Saudi Arabia’s nominal GDP in the years ended 31 December 2018 and 2017, respectively. Based on preliminary figures, oil revenues accounted for 67.5 per cent. and 63.0 per cent. of total Government revenues in the fiscal years 2018 and 2017, respectively. Based on preliminary figures, oil

exports accounted for 78.7 per cent. and 76.7 per cent. of Saudi Arabia's total exports by value in the years ended 31 December 2018 and 2017, respectively.

Historically, the price of oil has been volatile and over the past two decades international oil prices have fluctuated significantly. More recently, international oil prices have witnessed a significant decline since mid-2014, with the OPEC Reference Basket price (a weighted average of prices per barrel for petroleum blends produced by the OPEC countries) declining from a monthly average of U.S.\$107.89 per barrel in June 2014 to a monthly average of U.S.\$26.50 per barrel in January 2016, before partially recovering to a monthly average of U.S.\$49.60 per barrel in August 2017. Oil prices have continued to be volatile in the past two years, with the average basket price for 2018 reaching U.S.\$65.37 and the average basket price for 2019 reaching U.S.\$64.04 with a high of U.S.\$74.07 and a low of U.S.\$52.14. Oil prices steeply declined in the first four months of 2020 following the failure of OPEC and certain non-OPEC oil producing countries to come to an agreement to extend the voluntary crude oil production adjustments that expired on 31 March 2020 and as a result of the challenges posed by COVID-19, fluctuating significantly on a daily basis but, despite partially recovering, remaining low due to uncertainty surrounding production output levels and due to significantly lower demand for oil (see *“Risk factors relating to SEC's business and operations - The recent COVID-19 pandemic has caused significant disruption to the global economy and has also caused disruption to , the Kingdom's economy and impacted the SEC Group's business, and COVID-19 or the outbreak of other communicable diseases around the world may cause further disruption”*). A series of meetings took place on 9 and 12 April 2020 between OPEC and certain non-OPEC oil producing countries, including Russia, which culminated in an agreement to reduce their overall production in stages between 1 May 2020 and 30 April 2020. However, there can be no assurance that the agreement will be implemented by all relevant parties or achieve its stated goals or what effect the agreement will have on oil prices in the short to medium term. In light of the above factors, the OPEC Reference Basket price fell from a monthly average of U.S.\$65.10 per barrel in January 2020 to a monthly average of U.S.\$17.66 in April 2020 (with prices for certain types of oil falling even further still and temporarily going into negative territory later that month), before partially recovering to a monthly average of \$45.19 per barrel in August 2020. The monthly price per barrel of Arabian Light Crude Oil (which is produced by the Kingdom and constitutes part of the OPEC Reference Basket) has also moved in line with these trends.

The downwards trend in global oil prices since 2014 can also be attributed to a number of other factors, including, but not limited to, a decline in demand for oil due to a worsening of global economic conditions, the increase in oil production by other producers and competition from alternative energy sources. In general, international prices for crude oil are also affected by the economic and political developments in oil producing regions, particularly the Middle East; prices and availability of new technologies; and the global climate and other relevant conditions. There can be no assurance that these factors, in combination with others, will not result in a prolonged or further decline in oil prices, which may continue to have an adverse effect on the Kingdom's GDP growth, Government revenues, balance of payments and foreign trade.

Future volatility in the price of oil could adversely affect the Kingdom's economy and the Government's budget. As a recipient of significant support from the Government (see *“Risk factors relating to the SEC Group and its business - Risk factors relating to SEC's relationship with the Government – The SEC Group has benefitted from significant Government support, and any reduction or delay in the level of support provided to the SEC Group could significantly and adversely affect its business, results of operations and financial condition”*), any effect on the availability of financial support from the Government as a result of volatility in oil prices could have a material adverse effect on the SEC Group's business, financial condition and results of operations and may affect SEC's ability to satisfy its obligations to make the relevant payments under the Transaction Documents to which it is a party in order for the Issuer to pay the amounts due under the Certificates.

The Government's efforts to diversify the Kingdom's economy and effect structural changes may have undesirable effects and there can be no assurance that these diversification efforts will be successful

While the oil sector contributes to a significant portion of the Kingdom's economy, in recent years the Government has invested heavily in diversifying the Kingdom's economy to reduce its reliance on oil revenues and to diversify the Kingdom's economic base and sources of national income. In light of the low oil price environment, the objective of economic diversification in the Kingdom has taken on greater significance for the Government, and

the Government has recently announced various measures aimed at, among other things, achieving increased diversification of the Kingdom's economy.

While the contribution of the non-oil sector to the Kingdom's economy is gradually increasing on the basis of recent trends, oil exports and oil-related revenues still constitute a high proportion of the Kingdom's total export earnings and Government revenues, respectively. There can be no assurance that these trends will continue in the future or that they will continue to a sufficient extent to achieve effective and adequate diversification of the economy. In addition, the recent increase in the contribution of the non-oil sector to Government revenues and total exports can also be partially attributed to the decline in global oil prices since mid-2014 and the consequent significant decrease in Government revenues and export earnings attributable to the oil sector.

The Government is also seeking to implement far-reaching reforms of the Kingdom's economy and society, including through initiatives such as the National Transformation Programme 2020 (**NTP 2020**) and Vision 2030. Some of the measures envisaged include the greater participation of Saudi citizens in the private sector, a decrease in certain subsidies historically available to the fuel and energy sectors, as well as the imposition of new taxes and administrative fees. The implementation of these and other similar measures may be a lengthy and complex process, and there can be no assurance that these measures will not have unexpected or undesirable consequences in the Kingdom. The implementation of these and other similar measures, in whole or in part, may have a disruptive effect and consequently may have an adverse effect on the macroeconomic environment in the Kingdom, which could have a material adverse effect on SEC's business, financial condition, results of operations and affects its ability to make the relevant payments under the Transaction Documents to which it is a party in order for the Issuer to pay amounts due on the Certificates.

There can be no assurance that the Government will be able to successfully implement the objectives of Vision 2030 or the NTP 2020, and any failure to do so, in whole or in part, may result in the Government being unable to achieve the diversification of the economy and its sources of revenue to the required extent. Additionally, the adverse impact of the current decline in oil prices on Government revenues and the extent to which this decline is prolonged, may adversely impact the Government's ability to invest in the diversification of Saudi Arabia's economy. A failure to diversify Saudi Arabia's economy may result in its economy remaining susceptible to the risks associated with the oil sector, and downturns in the oil sector resulting in a slowdown of the entire economy, which, in turn, could have a material adverse effect on SEC's business, financial condition, results of operations and affects its ability to make the relevant payments under the Transaction Documents to which it is a party in order for the Issuer to pay amounts due on the Certificates.

RISK FACTORS RELATING TO THE CERTIFICATES

The application of the net proceeds of the Certificates as described in "Use of Proceeds" may not meet investor expectations or be suitable for an investor's investment criteria

Prospective investors in the Certificates should have regard to the information in "Use of Proceeds" regarding the use of the net proceeds of the Certificates and must determine for themselves the relevance of such information for the purpose of any investment in the Certificates, together with any other investigation such investor deems necessary. In particular, no assurance is given by the Issuer, SEC, the Joint Lead Managers, the Agents or the Delegate that the use of such proceeds for any Eligible Green Projects (as defined in "Use of Proceeds" below) will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply.

Furthermore, there is no contractual obligation to investors to allocate the proceeds of the Certificates to finance and/or refinance any Eligible Green Projects or to provide the reports as described in "Use of Proceeds" below. SEC's failure to so allocate the proceeds of the Certificates or to provide such reports or any failure of any of the projects funded with the proceeds from the Certificates to constitute a Green Project under SEC's Green Sukuk Framework (as defined in "Use of Proceeds" below) will not constitute a Dissolution Event (as defined in the Conditions) with respect to the Certificates but may affect the value and/or the trading price of the Certificates and/or have adverse consequences for certain investors with portfolio mandates to invest in green assets.

In addition, it should be noted that there is currently no clear definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a "green" or an equivalently-labelled project or as to what precise

attributes are required for a particular project to be defined as “green” or such other equivalent label nor can any assurance be given that such a clear definition or consensus will develop over time or that any prevailing market consensus will not significantly change. Such a definition may be established with the publication in the Official Journal of the EU on 22nd June, 2020 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 (the **Sustainable Finance Taxonomy Regulation**) on the establishment of a framework to facilitate sustainable investment (the **EU Sustainable Finance Taxonomy**). While SEC’s Green Sukuk Framework is expected to be in alignment with certain of the objectives for the EU Sustainable Finance Taxonomy set out in the Sustainable Finance Taxonomy Regulation, no assurance can be given that the Green Sukuk Framework will satisfy the technical screening criteria for such objectives that are to be established by the European Commission through delegated regulations pursuant to the Sustainable Finance Taxonomy Regulation.

Accordingly, alignment with the EU Sustainable Finance Taxonomy, once the technical screening criteria are established, is not certain and no assurance can be given in this regard. Further, no assurance is or can be given (whether by the Trustee, SEC, the Joint Lead Managers, the Delegate, the Agents or any other person) to investors that any projects or uses the subject of, or related to, any Eligible Green Projects will meet any or all investor expectations regarding such “green” or other equivalently-labelled performance objectives or that any adverse environmental, social and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any Eligible Green Projects.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any report, assessment, opinion or certification of any third party (whether or not solicited by the Issuer or SEC) which may or may not be made available in connection with the issue of the Certificates and in particular with any Eligible Green Projects to fulfil any environmental, social, sustainability and/or other criteria. Any such report, assessment, opinion or certification is not, nor shall be deemed to be, incorporated in and/or form part of this Prospectus. Any such report, assessment, opinion or certification is not, nor should be deemed to be, a recommendation by the Issuer, SEC, the Joint Lead Managers, the Agents, the Delegate or any other person to buy, sell or hold the Certificates. Any such report, assessment, opinion or certification is only current as of the date it was issued. Prospective investors must determine for themselves the relevance of any such report, assessment, opinion or certification and/or the information contained therein and/or the provider of such report, assessment, opinion or certification for the purpose of any investment in the Certificates. Currently, the providers of such reports, assessments, opinions and certifications are not subject to any specific oversight or regulatory or other regime.

In the event that the Certificates are listed or admitted to trading on any dedicated “green” or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Issuer, SEC, the Joint Lead Managers, the Agents, the Delegate or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own bylaws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any of the businesses and projects funded with the proceeds from the Certificates. Furthermore, the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance given or made by the Issuer, SEC, the Joint Lead Managers, the Agents, the Delegate or any other person that any such listing or admission to trading will be obtained in respect of the Certificates or, if obtained, that any such listing or admission to trading will be maintained during the life of the Certificates.

While it is the intention of SEC to apply the net proceeds of the Certificates and obtain and publish the relevant reports, assessments, opinions and certifications in, or substantially in, the manner described in “*Use of Proceeds*”, there can be no assurance (whether by the Trustee, SEC, the Joint Lead Managers, the Delegate, the Agents or any other person) that SEC will be able to do this. Nor can there be any assurance that any Eligible Green Projects will be completed within any specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by SEC.

Any such event or failure to apply the net proceeds of the Certificates for any Eligible Green Projects or to obtain and publish any such reports, assessments, opinions and certifications, will not give rise to any claim of a holder of the Certificates against the Issuer or SEC (or against any of the Joint Lead Managers, the Delegate, the Agents

or any other person). The withdrawal of any report, assessment, opinion or certification as described above, or any such report, assessment, opinion or certification attesting that SEC is not complying in whole or in part with any matters for which such report, assessment, opinion or certification is reporting, assessing, opining or certifying on, and/or any such Certificates no longer being listed or admitted to trading on any stock exchange or securities market, as aforesaid, may have a material adverse effect on the value of the Certificates and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

The Certificates are limited recourse obligations and investors may not be able to seek full recourse for failure to make payments due on the Certificates

The Certificates are not debt obligations of the Issuer. Instead, the Certificates of each Series represent a beneficial ownership interest solely in the Trust Assets in respect of that Series. Recourse to the Issuer in respect of the Certificates of a Series is limited to the Trust Assets in respect of that Series and the proceeds of these Trust Assets are the sole source of payments on such Certificates. Upon the occurrence of a Dissolution Event, the sole right of each of the Trustee, the Delegate and, through the Delegate, the Certificateholders will be against SEC to perform its obligations under the relevant Transaction Documents to which it is a party. Certificateholders of a Series will have no recourse to any assets of the Trustee (including the Trust Assets in respect of the other Series), the Delegate, SEC (to the extent that it fulfils all of its obligations under the Transaction Documents to which it is a party), the Issuer, any Agent or any director or officer of the Trustee, or any affiliate of the foregoing entities in respect of any shortfall in the expected amounts due under the Trust Assets in respect of that Series.

SEC is obliged to make certain payments under the Transaction Documents to which it is a party directly to the Issuer. The Trustee and the Delegate will have direct recourse against SEC to recover such payments due to the Issuer pursuant to the Transaction Documents. In the absence of default by the Delegate, investors have no direct recourse to SEC and there can be no assurance that the net proceeds of the realisation of, or enforcement with respect to, the Trust Assets in respect of that Series will be sufficient to make all payments due in respect of that Series. In the event that the proceeds of the Trust Assets in respect of a Series are not sufficient to satisfy the payments under that Series, the relevant Certificateholders shall have no recourse against any other assets of the Issuer (including the Trust Assets in respect of the other Series), or against any director or officer of the Issuer. After enforcing or realising the Trust Assets in respect of a Series and distributing the net proceeds of these Trust Assets in accordance with Condition 6.2 the obligations of the Issuer in respect of the Certificates shall be satisfied and neither the Delegate nor any Certificateholder may take any further steps against the Issuer to recover any further sums in respect of that Series and the right to receive any such sums unpaid shall be extinguished.

Furthermore, under no circumstances shall any Certificateholder, the Trustee or the Delegate have any right to cause the sale or other disposition of any of the Trust Assets in respect of a Series except pursuant to the Transaction Documents of that Series and the sole right of the Trustee, the Delegate and the Certificateholders against SEC shall be to enforce the obligation of SEC to perform its obligations under such Transaction Documents to which it is a party.

There can be no assurance that a secondary market for the Certificates will develop

There is no assurance that a market for the Certificates will develop or, if it does develop, that it will provide the Certificateholders with liquidity of investment or that it will continue for the life of the Certificates. In addition, liquidity may be limited if large allocations of the Certificates are made. Accordingly, a Certificateholder may not be able to find a buyer to buy its Certificates readily or at prices that will enable the Certificateholder to realise a desired yield. The market value of the Certificates may fluctuate and a lack of liquidity, in particular, can have a material adverse effect on the market value of the Certificates. Accordingly, the purchase of the Certificates is suitable only for investors who can bear the risks associated with a lack of liquidity in the Certificates and the financial and other risks associated with an investment in the Certificates. An investor in the Certificates must be prepared to hold the Certificates for an indefinite period of time or until their maturity. Application has been made to Euronext Dublin for the Certificates to be admitted to trading on the Euronext Dublin Regulated Market but there can be no assurance that such listing will occur on or prior to the Closing Date, if at all.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. There is a risk that potential investors may breach such laws and regulations upon subscribing for any Certificates, and accordingly each potential investor should consult its legal advisers to determine whether and to what extent (i) the Certificates are legal investments for it, (ii) the Certificates can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of the Certificates. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Certificates under any applicable risk-based capital or similar rules.

The Certificates may be subject to early redemption

In the event that the amount payable on the Certificates is required to be increased to include additional amounts in accordance with the Conditions and/or SEC is required to pay additional amounts pursuant to certain Transaction Documents, in each case as a result of certain changes affecting taxation in the Kingdom or the Cayman Islands (as the case may be), or in each case any political subdivision or any authority thereof or therein having power to tax, the Issuer may redeem all but not some only of the Certificates of each Series upon giving notice in accordance with the Conditions of the Certificates prior to their Scheduled Dissolution Date. This redemption feature is likely to limit the market value of Certificates at any time when the Issuer has the right to redeem them as provided in the Conditions, as the market value at such time may not rise substantially above the price at which they can be redeemed.

The Certificateholders may face foreign exchange risks or adverse tax consequences by investing in the Certificates

The Issuer will pay amounts due on the Certificates in U.S. dollars. If the Certificateholders measure their investment returns by reference to a currency other than U.S. dollars (the **Certificateholder's Currency**), an investment in the Certificates will entail foreign exchange-related risks due to, among other factors, possible significant changes in the value of the U.S. dollar, as applicable, relative to the Certificateholder's Currency because of economic, political and other factors over which the Issuer has no control and the risk that authorities with jurisdiction over the Certificateholder's Currency may impose or modify exchange controls. Depreciation of the U.S. dollar, as applicable, against the Certificateholder's Currency could cause a decrease in the effective yield of the Certificates below their stated Periodic Distribution Amount and could result in a loss to the Certificateholders when the return on the Certificates is translated into the Certificateholder's Currency. Investment in the Certificates may also have important tax consequences as a result of any foreign currency exchange gains or losses.

The conditions of the Certificates, the Declaration of Trust and the other Transaction Documents contain provisions which may permit their modification without the consent of all investors and confer significant discretions on the Delegate which may be exercised without the consent of the Certificateholders and without regard to the individual interests of particular Certificateholders

The conditions of the Certificates contain provisions for calling meetings of Certificateholders to consider and vote upon matters affecting their interests generally, or to pass resolutions in writing or through the use of electronic consents. These provisions permit defined majorities to bind all Certificateholders including Certificateholders who did not attend and vote at the relevant meeting or, as the case may be, did not sign the written resolution or give their consent electronically, and including those Certificateholders who voted in a manner contrary to the majority.

The conditions of the Certificates and the Declaration of Trust also provide that the Delegate may, without the consent of Certificateholders and without regard to the interests of particular Certificateholders, agree to any modification of any of the provisions of the Certificates, the Declaration of Trust or any other Transaction Document if, in the opinion of the Delegate, such modification is (a) of a formal, minor or technical nature, (b) made to correct a manifest error, or (c) not materially prejudicial to the interests of Certificateholders. The Delegate may further agree to any waiver or authorisation of any breach or proposed breach of the conditions of the Certificates, the Declaration of Trust or any other Transaction Document, or determine without the consent of

the Certificateholders that any SEC Event or potential SEC Event shall not be treated as such, in each such case as further described in Condition 18.

Change of law

The structure of the issue of each Series of Certificates is based on English law, Cayman Islands law and the laws of the Kingdom and administrative practices therein in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible change to English, Cayman Islands or Saudi law or administrative practices in any such jurisdiction after the date of this Prospectus, nor can any assurance be given as to whether any such change could adversely affect the ability of the Issuer to make payments under the Certificates or of SEC to perform its obligations under the Transaction Documents to which it is a party.

RISK FACTORS RELATING TO ENFORCEMENT

There are uncertainties around the choice of English law as the governing law of certain Transaction Documents and around enforcement of foreign judgments in the Kingdom

The Certificates and certain of the Transaction Documents are expressed to be governed by English law as set out below and provide for the resolution of disputes by arbitration under the Arbitration Rules of the London Court of International Arbitration, subject only to an option for the Trustee or the Delegate to bring proceedings before English courts. Despite this, the courts and judicial committees of the Kingdom may not recognise the choice of English law. In addition, whilst the option made in favour of the Trustee and the Delegate to elect for arbitration or the English courts is valid under English law and is not restricted under Saudi Arabian law, investors should note that SEC is not aware of Saudi Arabian court precedents confirming the validity of this option and as such there can be no assurance whether the Saudi Arabian courts will recognise and enforce any arbitral award or judgment made under this option. Accordingly, in any proceedings relating to the Certificates in the Kingdom, *Shari'ah*, as interpreted in the Kingdom, may be applied by the relevant court or judicial committee. The courts and judicial committees of the Kingdom have the discretion to deny the enforcement of any contractual or other obligations, if, in their opinion, the enforcement thereof would be contrary to the principles of *Shari'ah*. Moreover, provisions of foreign law may not be enforceable in the Kingdom.

Further, a new Bankruptcy Law was issued and published in the Kingdom in 22 February 2018 pursuant to Royal Decree No. M/50 dated 28/05/1439H (corresponding to 14/02/2018G) (the **Bankruptcy Law**), which came into effect on 18 August 2018. The Bankruptcy Law has transferred the jurisdiction to supervise insolvency and bankruptcy proceedings of commercial entities from the Board of Grievances to the Commercial Courts. The Bankruptcy Law remains relatively new and several provisions are untested or are subject to different interpretations. Therefore, there is some uncertainty as to the practical application of certain provisions under the Bankruptcy Law. Further, the application of the Bankruptcy Law may adversely impact the performance of certain obligations and the enforceability of certain provisions under the Transaction Documents.

The Enforcement Courts have jurisdiction over the enforcement of enforcement instruments as defined in the Enforcement Law (Royal Decree No. M/53 dated 13/08/1433H corresponding to 07/03/2012G) (the **Enforcement Law**). The Enforcement Courts may, at their discretion, enforce all or any part of a foreign judgment or arbitral award provided that: (a) there is reciprocity in the enforcement of Saudi Arabian judgements or arbitral awards in the courts of the relevant jurisdiction; (b) the courts of the Kingdom do not hold exclusive jurisdiction over the dispute and the foreign judgment or arbitral award was issued in accordance with the jurisdictional rules of that country; (c) the respective parties to the foreign judgement or arbitral award were present, duly represented and able to defend themselves; (d) the judgment or arbitral award is final; (e) the judgment or arbitral award does not conflict with any ruling or order issued by a court of competent jurisdiction on the same matter in the Kingdom; and (f) the judgment or arbitral award is not contrary to any public policy of the Kingdom. Reciprocity may be demonstrated by way of the existence of a treaty or protocol between the Kingdom and the relevant jurisdiction or by virtue of a plaintiff providing evidence that the relevant foreign court has recognised and enforced a Saudi Arabian judgment on a previous occasion. In the case of an English judgment, there is no relevant treaty and, accordingly, Certificateholders seeking to enforce an English judgment might be required to adduce other evidence of such reciprocity. No assurance can be given that investors would be able to meet the requirements of reciprocity of enforcement. In addition, even if Certificateholders were able to meet this requirement, they should

be aware that if any terms of the Certificates or the Transaction Documents (including any provisions relating to the payment of profit) were found to be inconsistent with *Shari'ah*, they would not be enforced by the Enforcement Courts.

Arbitration awards relating to disputes under certain of the Transaction Documents may not be enforceable in the Kingdom

The parties to certain of the Transaction Documents have agreed to refer any unresolved dispute in relation to such Transaction Documents to arbitration under the Arbitration Rules of the London Court of International Arbitration, subject to the option of the Trustee and the Delegate to bring an action in the English courts. Although the Kingdom is a party to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (the **New York Convention**), enforcement in the Kingdom of a foreign arbitration is not certain. For example, there are a number of circumstances in which recognition of an arbitral award under the New York Convention may be declined, including where the award is contrary to the public policy of the receiving state. As a consequence, any arbitral award deemed by a court in the Kingdom as contrary to the public policy of the Kingdom may not be enforceable in the Kingdom.

Shari'ah requirements in relation to interest

In accordance with applicable *Shari'ah* principles, each of the Trustee and the Delegate will waive any entitlement it may have to interest awarded in connection with a dispute under the Transaction Documents and accordingly Certificateholders will not be entitled to receive any such interest. No such waiver constitutes a waiver of rights in respect of rental or revenues under the Transaction Documents or from the *Ijara* Assets, or in respect of any Periodic Distribution Amounts or profit or principal of any kind howsoever described payable by SEC (in any capacity) or the Trustee (in any capacity) pursuant to the Transaction Documents and/or the Conditions.

The terms of the Declaration of Trust may not be enforceable in the Kingdom

The laws of the Kingdom do not recognise the concept of a trust or beneficial interests in connection with trusts. Accordingly, there is no certainty that the terms of the Declaration of Trust (which is governed by English law) would be enforced by the courts of the Kingdom and as such, there can be no assurance that the obligations of the Trustee under the Declaration of Trust to act on behalf of the Certificateholders in accordance with their instructions (given in accordance with the terms and conditions of the Certificates) are enforceable as a matter of contract under the laws of the Kingdom or that the courts of the Kingdom would recognise any claim of the Delegate on behalf of Certificateholders under the Transaction Documents pursuant to the Declaration of Trust.

There is uncertainty regarding the adjudication of claims relating to the Transaction Documents under the laws of the Kingdom

Certain of the Transaction Documents are expressly governed by, and are to be construed in accordance with, the laws of the Kingdom. Furthermore, such Transaction Documents provide that the Committee for the Resolution of Securities Disputes and the Appeal Panel (the **Committee**) shall have jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with such Transaction Documents. To the best of the Issuer's and SEC's knowledge, no securities of a similar nature to the Certificates have previously been the subject of adjudicatory interpretation or enforcement in the Kingdom. Accordingly, it is uncertain exactly how and to what extent the Transaction Documents would be enforced by the Committee or by any other adjudicatory authority in the Kingdom.

There are concerns as to the effectiveness under Saudi Arabian law of any transfer of an interest in an asset in the Kingdom to a Saudi Arabian company on behalf of foreign nationals unless a corporate presence is formed in the Kingdom and the relevant licensing requirements have been met

The Foreign Investment Law issued under Royal Decree No. M/1 dated 5/1/1421H (corresponding to 10/4/2000G) and the Anti-Cover Up Regulations issued in the Official Gazette on 28/5/1425H (corresponding to 16/7/2004G) prohibit Kingdom companies from doing business in the Kingdom on behalf of foreign nationals unless a corporate presence is formed in the Kingdom and the relevant licensing requirements have been met. The Trustee

could be interpreted as contravening this prohibition by entering into each Purchase Agreement and the other relevant Transaction Documents to which it is a party.

On the basis of the foregoing, prospective investors should note that there is uncertainty as to the effectiveness under Saudi Arabian law of any transfer of an interest in an asset in the Kingdom pursuant to the Transaction Documents, absent compliance with the matters specified above. As a result, if SEC fails to comply with its obligations under the Transaction Documents, a Saudi Arabian court or judicial or administrative tribunal is likely proceed in one of the following two ways:

- (a) a Saudi Arabian court or judicial or administrative tribunal may consider the Transaction Documents as a whole and give effect to the commercial intention of the parties to treat the arrangements set out therein as a financing transaction without requiring compliance with the Foreign Investment Law (and as not being in breach of the Anti-Cover Up Regulations), and subject to the other risks described in this “–*Risk Factors relating to enforcement*” section may enforce the payment obligations set out in the relevant Transaction Documents; or
- (b) a Saudi Arabian court or judicial or administrative tribunal may characterise the transactions contemplated by each Purchase Agreement and the other relevant Transaction Documents as an unlawful investment which is void as a result of non-compliance with any of the matters specified above. If that is the case, a Saudi Arabian court or judicial or administrative tribunal is likely to require that SEC return to the Trustee the relevant proceeds of the issuance of the Certificates of the relevant Series less any rental amounts already paid, and may appoint an expert to determine the amount of damages (if any) to which the parties may be entitled to.

Claims for specific performance under the Transaction Documents may not be granted and there can be no assurances as to the level of damages that may be awarded in the event of a breach under the Transaction Documents

In the event that SEC fails to perform its obligations under any Transaction Document, the potential remedies available to the Issuer, the Trustee and the Delegate include obtaining an order for specific performance of the relevant obligations or a claim for damages. There can be no assurance that a court will provide an order for specific performance which is a discretionary matter or that any order for specific performance granted by an English court will be recognised or enforced by the courts in the Kingdom. Furthermore, the amount of damages which a court in the Kingdom may award in respect of a breach will depend upon a number of possible factors including an obligation on the Issuer, the Trustee or the Delegate to mitigate any loss arising as a result of the breach. No assurances can be provided as to the level of damages which a court may award in the event of a failure by SEC to perform its obligations as set out in the Transaction Documents, and therefore Prospective Certificateholders should note that, if damages are awarded, they may receive less than they would had an order for specific performance been granted.

Courts and judicial committees of the Kingdom will not give effect to penalties and certain types of indemnities

Prospective Certificateholders should note that should any provision of the Transaction Documents be construed by a court or judicial committee in the Kingdom to be an agreement to pay a penalty rather than a genuine estimate of loss incurred, such provision may not be enforced in the Kingdom. Further, any indemnity provided by SEC pursuant to the Transaction Documents or in relation to any Series may not be enforceable under the laws and regulations of the Kingdom to the extent that it (a) purports to be effective notwithstanding any judgment or order of a court to the contrary or (b) is contrary to any applicable law or public policy relating thereto.

Compliance with bankruptcy laws in the Kingdom may affect SEC’s ability to perform its obligations under the Transaction Documents

In the event of SEC’s insolvency, bankruptcy laws in the Kingdom may adversely affect SEC’s ability to perform its obligations under the Transaction Documents to which it is a party and, in turn, affect the Issuer’s ability to perform its obligations in respect of the Certificates. There is little precedent to predict how claims by or on behalf of the Certificateholders and/or the Delegate would be resolved in the event of SEC’s bankruptcy and accordingly it is uncertain exactly how and to what extent the Transaction Documents would be enforced by a Saudi Arabian

adjudicatory body if such Saudi Arabian adjudicatory body were to void or otherwise cause such document, or any part thereof, to be void or ineffective and therefore there can be no assurance that Certificateholders will receive repayment of their claims in full or at all in these circumstances.

The Bankruptcy Law provides various procedures with respect to protective settlement, financial restructuring, liquidation, and administrative liquidation and provides, among other things, that contract termination triggers are generally void with exceptions stipulated in relation to government contracts. Further exceptions in relation to finance transactions are to be determined by the Saudi Arabian Monetary Authority and the Capital Market Authority after liaising and agreeing with the Saudi Arabian Ministry of Commerce. The Bankruptcy Law also provides that a trustee may terminate a contract if such termination: (a) is in the interest of the majority of the relevant creditors; (b) would not harm the counterparty; and (c) is necessary to implement the relevant proposal. The Bankruptcy Law repealed articles 103-137 of the Commercial Court Law issued pursuant to Royal Decree No. 32 dated 15/1/1350H (corresponding to 1/06/1931G), the Law on Settlements for the Avoidance of Bankruptcy pursuant to Royal Decree No. M/16 dated 4/9/1416 H (corresponding to 24/01/1996G) as well as any other provision that contradicts the Bankruptcy Law.

The implementing regulations to the Bankruptcy Law issued pursuant to Council of Ministers Resolution No. 622 dated 24/12/1439H (corresponding to 4/09/2018G) and published in the official gazette on 30/12/1439H (corresponding to 10/09/2018G) (the **Bankruptcy Law Implementing Regulations**) further provide for the bankruptcy rules and procedures in the Kingdom. The Bankruptcy Law Implementing Regulations provide that a debtor (in respect of a protective settlement) may request that the court terminates any contract that such debtor is a party to by submitting a report issued by a registered custodian that proves that such termination: (a) is in the interest of the majority of the relevant creditors; (b) would not harm the counterparty; and (c) will protect the business of the debtor.

A court may, after accepting a request to open any of the liquidation procedures set out in the Bankruptcy Law, take certain precautionary measures, at its own discretion or upon a request by an interested party, such as seizing the assets of the debtor whether such assets are held by the debtor or by third parties.

The Bankruptcy Law and its implementing regulations are relatively recent and hence their application, and how the Saudi Arabian courts and judicial committees will apply them, is yet to be seen in full effect in practice.

There can be no assurance as to whether the waiver of immunity provided by SEC will be valid and binding under the laws of Saudi Arabia

SEC has agreed, in the Transaction Documents to which it is a party, that it will not claim and has waived, to the fullest extent possible under applicable law, immunity from suit, execution before judgment or otherwise or other legal process. However, there can be no assurance as to whether such waivers of immunity from execution or attachment or other legal process by it under Transaction Documents to which SEC is a party are valid and binding under the laws of Saudi Arabia. If the waiver is not valid and binding, there is a risk that the waiver may not be able to be enforced against SEC.

ADDITIONAL RISK FACTORS

There can be no assurance that the Certificates will be Shari'ah compliant

Each of the *Shari'ah* Advisers has reviewed the Transaction Documents and confirmed that the Certificates are, in their view, compliant with the principles of *Shari'ah* as applicable to, and interpreted by, them. However, there can be no assurance that the Transaction Documents or the issue and trading of the Certificates will be deemed to be *Shari'ah* compliant by any other *Shari'ah* committee or *Shari'ah* scholars. Different *Shari'ah* advisers as well as judicial committees and courts in the Kingdom may form different opinions on identical issues and different *Shari'ah* standards may be applied by different *Shari'ah* boards and therefore potential investors should not rely on the pronouncements of the *Shari'ah* Advisers in deciding whether to make an investment in the Certificates and should obtain their own independent *Shari'ah* advice as to the compliance of the Transaction Documents and whether the Certificates will meet their individual standards of compliance and the issue and trading of the Certificates with *Shari'ah* principles, including the tradability of the Certificates on any secondary market. Questions as to the *Shari'ah* compliance of the Transaction Documents or the *Shari'ah* permissibility of the issue

and the trading of the Certificates may limit the liquidity and adversely affect the market value of the Certificates. Potential investors should also note that the pronouncement of the *Shari'ah* Advisers would not bind a judicial committee or court in the Kingdom, and any judicial committee or court will have the discretion to make its own determination about whether the Transaction Documents and the Certificates comply with *Shari'ah* principles. None of the Issuer, SEC, any of the Joint Lead Managers, the Agents or the Delegate makes any representation as to the *Shari'ah* compliance of the Certificates and/or any trading thereof, the Transaction Documents or the *Shari'ah* pronouncement issued by the *Shari'ah* Advisers.

In addition, the enforcement of any obligations of any of the parties if in dispute would be the subject of arbitration in London under the Arbitration Rules of the London Court of International Arbitration. In such circumstances, the arbitrator will apply the relevant law of the relevant Transaction Document in determining the obligation of the parties.

Credit ratings may not reflect all risks

The Certificates are expected to be assigned a rating of A2 by Moody's and A- by Fitch. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. The ratings of the Certificates may not reflect the potential impact of all the risks related to the structure, market, additional factors discussed herein and other factors that may affect the value of the Certificates. In addition, real or anticipated changes in the ratings of the Certificates could negatively affect the market value of the Certificates.

In general, EU and UK regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU or the United Kingdom and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU and non-UK credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered or UK-registered credit rating agency or the relevant non-EU and non-UK rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). If the status of the rating agency rating the Certificates changes, European (including United Kingdom) regulated investors may no longer be able to use the rating for regulatory purposes and the Certificates may have a different regulatory treatment. This may result in European (including United Kingdom) regulated investors selling the Certificates which may impact the value of the Certificates and any secondary market. The list of registered and certified rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

Reliance on Euroclear and Clearstream procedures

The Certificates of each Series will be represented on issue by a Global Certificate that will be deposited with a common depository for Euroclear and Clearstream. Except in the circumstances described in the relevant Global Certificate, investors will not be entitled to receive Certificates in definitive form. Euroclear and Clearstream and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Certificate. While the Certificates of a Series are represented by a Global Certificate, investors will be able to trade their beneficial interests only through Euroclear and Clearstream and their respective participants.

While the Certificates of a Series are represented by the Global Certificates, the Issuer will discharge its payment obligation under such Certificates by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Certificate must rely on the procedures of the relevant clearing system and its participants to receive payments under the relevant Certificates. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Certificate.

Certificateholders should be aware that holders of beneficial interests in a Global Certificate will not have a direct right to vote in respect of the relevant Certificates. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

Certificates which have a denomination that is not an integral multiple of U.S.\$200,000 may be illiquid and difficult to trade

The denomination of the Certificates is U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. Therefore, it is possible that the Certificates may be traded in amounts in excess of U.S.\$200,000 that are not integral multiples of U.S.\$200,000. In such a case, a Certificateholder who, as a result of trading such amounts, holds a face amount of less than U.S.\$200,000 would need to purchase a face amount of Certificates such that it holds an amount equal to at least U.S.\$200,000 to be able to trade such Certificates. Certificateholders should be aware that Certificates which have a denomination that is not an integral multiple of U.S.\$200,000 may be illiquid and difficult to trade.

Total Loss Event

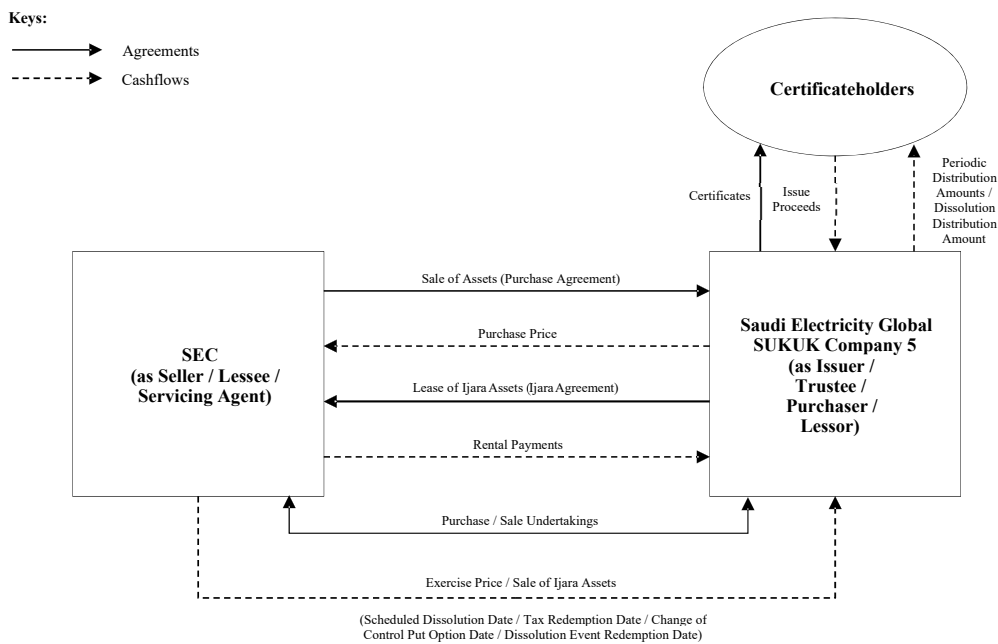
As owner of the Ijara Assets relating to each Series, the Issuer is required, among other things, to insure the relevant Ijara Assets. In accordance with *Shari'ah* principles, the Issuer has delegated this obligation to SEC, as its servicing agent, which has undertaken in the Servicing Agency Agreement in respect of each Series, *inter alia*, to insure the relevant Ijara Assets in the name of the Issuer against the occurrence of a Total Loss Event for their full reinstatement value (and to ensure, in relation to each Series, that such amount is not at any time less than the aggregate face amount of Certificates of such Series then outstanding). A Total Loss Event is defined as the total loss or destruction of, or damage to the relevant Ijara Assets or any event or occurrence that renders the whole of the relevant Ijara Assets permanently unfit for any economic use and (but only after taking into consideration any insurances or other indemnity granted by any third party in respect of the relevant Ijara Assets) the repair or remedial work in respect thereof is wholly uneconomical or the expropriation, confiscation, attachment, sequestration or execution of any legal process in respect of the relevant Ijara Assets.

Nevertheless, should such an event occur the relevant Ijara Agreement will terminate and the Certificates of the relevant Series will be repaid using the proceeds of the insurance received by the Issuer. In this scenario potential investors should be aware that (i) rental under the relevant Ijara Agreement will cease upon the occurrence of a Total Loss Event (as that Ijara Agreement will have terminated) and accordingly the Periodic Distribution Amount received by the Certificateholders of the relevant Series will reflect this fact and there may be a delay in the Issuer receiving the proceeds of insurance and therefore in the relevant Certificateholders receiving a Dissolution Distribution Amount in respect of their Certificates and no additional Periodic Distribution Amount will be paid in respect of this delay. Each Servicing Agency Agreement provides that if the insurance proceeds paid into the relevant Transaction Account are less than the full reinstatement value of the relevant insured Ijara Assets due to the Servicing Agent's failure to comply with the terms of the Servicing Agency Agreement, the Servicing Agent undertakes to pay any shortfall amount (being the difference between the Insurance Coverage Amount and the amount credited to the relevant Transaction Account) into the relevant Transaction Account by no later than close of business in Riyadh on the 31st day after the Total Loss Event occurred. The Delegate will be entitled to enforce this undertaking against SEC on behalf of the Certificateholders of the relevant Series.

OVERVIEW OF THE OFFERING

STRUCTURE DIAGRAM AND CASHFLOWS

The following is a simplified overview of the structure and principal cashflows underlying the issue of each Series. This overview does not purport to be complete and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this Prospectus. Potential investors should read the entire Prospectus, especially the risks in relation to investing in the Certificates discussed under “Risk Factors” and the detailed descriptions of the relevant Transaction Documents set out elsewhere in this Prospectus for a fuller description of certain cashflows. Words and expressions defined in “*Terms and Conditions of the 2025 Certificates*” and “*Terms and Conditions of the 2030 Certificates*” shall have the same meanings in this overview.



Purchase of Assets and Ijara

On the Closing Date of each Series, the relevant Certificateholders will pay the issue price in respect of the Certificates to the Issuer, which will hold such proceeds of the issue of the Certificates as Trustee.

Pursuant to the relevant Purchase Agreement, the Trustee (in its capacity as the Purchaser) will use the amount of such issue proceeds to purchase from SEC (in its capacity as the Seller) a percentage interest in the Seller’s undivided rights, title, interests, benefits and other entitlements in and to certain electricity distribution assets comprising medium and low voltage power line networks connecting high-voltage transmission sub-stations to local sub-stations and providing electricity from local sub-stations to end users with an economic life substantially beyond the relevant Scheduled Dissolution Date as described in schedule 1 to each Purchase Agreement (in relation to each Series, the **Ijara Assets**). Such percentage interest shall equal the percentage of the total value of such electricity distribution assets that is equal to the aggregate face amount of the Certificates of the relevant Series. A separate percentage interest in the relevant electricity distribution assets will be purchased with the issue proceeds of each Series. The Ijara Assets may be substituted in accordance with the relevant Substitution Undertaking for any assets (or percentage interest in such assets) the identity of which shall be determined by SEC in its sole discretion on the condition that the value of the substitute assets is equal to or greater than the value of the assets (or percentage interest in such assets) being substituted.

The Trustee (in its capacity as the Lessor) will lease the relevant Ijara Assets to SEC (in its capacity as the Lessee) pursuant to the relevant Ijara Agreement. The Lessee will pay rental payments in respect of the relevant Ijara

Assets which are intended to be sufficient to fund the Periodic Distribution Amounts due under the relevant Series of Certificates on each Periodic Distribution Date and which shall be applied by the Trustee for that purpose.

Redemption of the Certificates

Pursuant to the Purchase Undertaking in respect of each Series, the Trustee may, on the relevant Scheduled Dissolution Date, or, prior thereto, following the occurrence of a Dissolution Event or a Change of Control, exercise its rights under the Purchase Undertaking and require SEC to purchase all of its rights, title, interests, benefits and other entitlements in and to the relevant Ijara Assets.

Pursuant to the Sale Undertaking in respect of each Series, SEC may, following the occurrence of a Tax Event, exercise its rights under the relevant Sale Undertaking to require the Trustee to sell to SEC all of its rights, title, interests, benefits and other entitlements in and to the relevant Ijara Assets. In each case, the consideration payable by SEC upon such exercise of a Purchase Undertaking or a Sale Undertaking, as appropriate, shall be the relevant Exercise Price.

Pursuant to the Sale Undertaking in respect of each Series, SEC may also, in the event that SEC wishes to cancel any Certificate of the relevant Series purchased in accordance with Condition 13.1, exercise its rights under the relevant Sale Undertaking to require the Trustee to transfer and convey the relevant Ijara Assets to SEC as identified by SEC. The consideration provided by SEC for such exercise of such Sale Undertaking shall be the cancellation of the relevant Certificates.

OVERVIEW OF THE CERTIFICATES

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus. This overview may not contain all of the information that prospective investors should consider before deciding to invest in the Certificates. Accordingly, any decision by a prospective investor to invest in the Certificates should be based on a consideration of this Prospectus as a whole. Words and expressions defined in “*Terms and Conditions of the 2025 Certificates*” and “*Terms and Conditions of the 2030 Certificates*” shall have the same meanings in this overview.

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| Description of Certificates: | U.S.\$650,000,000 Green Certificates due 2025 and U.S.\$650,000,000 Green Certificates due 2030. |
| Issuer and Trustee: | Saudi Electricity Global SUKUK Company 5, as issuer of the Certificates and trustee for and on behalf of the Certificateholders, an exempted company with limited liability incorporated on 12 March 2020 in accordance with the Companies Law (as amended) of the Cayman Islands and formed and registered in the Cayman Islands with company registration number 361131 with its registered office at c/o Walkers Fiduciary Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman, KY1-9008, Cayman Islands. The Issuer has been incorporated solely for the purpose of participating in the transactions contemplated by the Transaction Documents to which it is a party. |
| Ownership of the Issuer: | The authorised share capital of the Issuer is U.S.\$50,000.00 consisting of 50,000 ordinary shares of U.S.\$1.00 par value each, of which 1 ordinary share of U.S.\$1.00 par value has been issued. The sole issued share is fully paid and held by SEC as at the date of this Prospectus. |
| Administration of the Issuer: | The affairs of the Issuer are managed by Walkers Fiduciary Limited (the Issuer Administrator), who will provide, amongst other things, corporate administrative services, director services and prepare the annual financial statements of the Issuer pursuant to the corporate services agreement dated on or about 9 September 2020 between, <i>inter alia</i> , the Issuer and the Issuer Administrator (the Corporate Services Agreement). |

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| Seller: | SEC (in its capacity as the Seller) will sell to the Trustee (in its capacity as the Purchaser) pursuant to the Purchase Agreement in respect of each Series the relevant Ijara Assets. |
| Lessee: | SEC (in its capacity as the Lessee) will lease from the Trustee (in its capacity as the Lessor) the Ijara Assets for a term of five years in respect of the 2025 Certificates and 10 years in respect of the 2030 Certificates, and in each case will pay rent to the Trustee on a semi-annual basis pursuant to the relevant Ijara Agreement. The rent is intended to fund the Periodic Distribution Amounts payable by the Issuer in respect of the Certificates of each Series. |
| Servicing Agent: | SEC (in its capacity as Servicing Agent) for and on behalf of the Trustee (in its capacity as the Lessor) will be responsible for insuring the Ijara Assets relating to each Series, paying proprietary and other taxes and performing all major maintenance and structural repairs. |
| SEC: | <p>In accordance with the Purchase Undertaking in respect of each Series, SEC shall, at the option of the Trustee, be required to purchase all of the Trustee's rights, title, interests, benefits and other entitlements in and to the relevant Ijara Assets (or the relevant Ijara Assets as identified by SEC in the case of Change of Control) on the Scheduled Dissolution Date or following the occurrence of a Dissolution Event or a Change of Control.</p> <p>In accordance with the Sale Undertaking in respect of each Series, SEC shall have the right to require the Trustee to sell to SEC all of its rights, title, interests, benefits and other entitlements in and to (a) the relevant Ijara Assets following the occurrence of a Tax Event or (b) the relevant Redemption Ijara Assets (the aggregate value of which shall not exceed the aggregate face amount of the cancelled Certificates) in the event of any purchase and cancellation of Certificates by SEC.</p> |
| Delegate: | HSBC Corporate Trustee Company (UK) Limited. In accordance with the Declaration of Trust, the Trustee will unconditionally and irrevocably appoint the Delegate to be its attorney and to exercise certain future duties, powers, authorities and discretions vested in the Trustee by certain provisions of the Declaration of Trust in accordance with the terms of the Declaration of Trust. |
| Joint Lead Managers: | First Abu Dhabi Bank PJSC, HSBC Bank plc, J.P. Morgan Securities plc, MUFG Securities EMEA plc, and Standard Chartered Bank. |
| Principal Paying Agent, Registrar, Replacement Agent and Transfer Agent: | HSBC Bank plc. |
| Closing Date: | 17 September 2020. |
| Issue Amount: | U.S.\$650,000,000 in respect of the 2025 Certificates and U.S.\$650,000,000 in respect of the 2030 Certificates. |
| Issue Price: | 100 per cent. of the aggregate face amount of the Certificates. |
| Periodic Distribution Dates and Amounts: | Payable semi-annually, (i) in the case of the 2025 Certificates, on the 17th day of each March and September in each year, commencing on 17 March 2021, and (ii) in the case of the 2030 Certificates, on the 17th day of each March and September in each year, commencing on |

17 March 2021, Certificateholders will receive, from monies received in respect of the relevant Trust Assets, a Periodic Distribution Amount calculated at the rate of (i) in the case of the 2025 Certificates, 1.740 per cent. per annum on the outstanding face amount of the 2025 Certificates as at the beginning of the relevant Periodic Distribution Period, and (ii) in the case of the 2030 Certificates, 2.413 per cent. per annum on the outstanding face amount of the 2030 Certificates as at the beginning of the relevant Periodic Distribution Period, in each case on a 30/360 day basis.

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| Periodic Distribution Period: | The period from (and including) a Periodic Distribution Date (or, in the case of the first Periodic Distribution Period, from, and including, the Closing Date) to (but excluding) the next (or, in the case of the first Periodic Distribution Date, first) Periodic Distribution Date. |
| Dissolution on the Scheduled Dissolution Date: | The Scheduled Dissolution Date is 17 September 2025 in respect of the 2025 Certificates and 17 September 2030 in respect of the 2030 Certificates. Upon receipt by the Trustee of the Exercise Price payable pursuant to the terms of each Purchase Undertaking, the Exercise Price will be applied to redeem the Certificates at the Dissolution Distribution Amount. |
| Dissolution Distribution Amount: | In relation to each Series, the aggregate outstanding face amount of the Certificates of that Series plus a U.S. dollar amount equal to all accrued and unpaid Periodic Distribution Amounts in respect of such Certificates. |
| Cancellation of Certificates: | SEC and/or any Subsidiary may at any time purchase Certificates at any price in the open market or otherwise. All Certificates purchased by or on behalf of SEC and/or any Subsidiary may be held, resold or, at the option of SEC, surrendered to the Principal Paying Agent for cancellation. |
| Status of the Certificates: | Each Certificate evidences an undivided beneficial ownership interest of the Certificateholders in the Trust Assets in respect of the relevant Series, subject to the terms of the relevant Transaction Documents and Conditions, and is a direct, unsubordinated, unsecured and limited recourse obligation of the Issuer. Each Certificate will at all times rank <i>pari passu</i> , without any preference or priority, with all other Certificates of the relevant Series. |
| Limited Recourse: | <p>No payment of any amount whatsoever shall be made in respect of the Certificates except to the extent that funds for that purpose are available from the relevant Trust Assets.</p> <p>Certificateholders of a Series have no recourse to any assets (other than the Trust Assets in respect of that Series) of the Issuer, the Trustee or SEC (to the extent that it fulfils all of its obligations under the Transaction Documents in relation to the relevant Series to which it is a party) or the Delegate or any Agent or any of their respective affiliates, including in respect of any shortfall in the expected amounts from the relevant Trust Assets, and, to the extent the relevant Trust Assets have been enforced, realised and fully discharged, all obligations of the Issuer, the Trustee, the Delegate and their respective directors and agents shall be extinguished.</p> |

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| Use of Proceeds: | The net proceeds of the issue of the Certificates of each Series, of approximately U.S.\$650,000,000 in the case of the 2025 Certificates and approximately U.S.\$650,000,000 in the case of the 2030 Certificates, will be used by the Trustee as the purchase price to be paid to SEC on the Closing Date for the purchase of the Ijara Assets relating to each Series. SEC will use an amount equal to the net proceeds received from the Trustee to finance and/or refinance in whole or in part Eligible Green Projects as described in “ <i>Use of Proceeds</i> ”. |
| Summary of the Transaction Structure and Documents: | An overview of the structure of the transaction and the principal cashflows is set out under “ <i>Structure Diagram and Cashflows</i> ” and a description of the principal terms of the Transaction Documents is set out under “ <i>Summary of the Principal Transaction Documents</i> ”. |
| Negative Pledge: | The Certificates will have the benefit of a negative pledge granted by SEC, as described in Condition 5. |
| Cross-Default: | In respect of SEC, the Certificates will have the benefit of a cross-default provision, as described in Condition 14. |
| The Trust Assets: | <p>Pursuant to the Declaration of Trust, the Issuer will declare that it will hold the Trust Assets in respect of each Series for the benefit of the Certificateholders of that Series as Trustee, consisting of:</p> <ul style="list-style-type: none"> (a) the cash proceeds of the issue of the Certificates of that Series, pending application thereof in accordance with the terms of the Transaction Documents of that Series; (b) all of the Trustee’s rights, title, interests, benefits and other entitlements, present and future, in, to and under the Ijara Assets relating to that Series; (c) all of the Trustee’s rights, title, interests, benefits and other entitlements, present and future, in, to and under the Transaction Documents of that Series excluding any representations given to the Trustee by SEC pursuant to any of the Transaction Documents; (d) all monies standing to the credit of the relevant Transaction Account; and (e) all proceeds of the foregoing. |
| Early Dissolution of the Trust: | Other than as a result of the occurrence of a Dissolution Event, a Tax Event or a Change of Control, the Trust will not be subject to dissolution, and the Certificates will not be redeemed, prior to the Scheduled Dissolution Date. |
| Dissolution Events: | The Dissolution Events are described in Condition 14. Following the occurrence of a Dissolution Event which is continuing, the Certificates may be redeemed in full at an amount equal to the Dissolution Distribution Amount in the manner described in Condition 14. |
| Early Dissolution for Tax Reasons: | Where the Issuer has or will become obliged to pay any additional amounts in respect of the Certificates as a result of a change in the laws of the Cayman Islands or the Kingdom, or the Issuer has received notice from SEC that SEC has or will become obliged to pay any |

additional amounts pursuant to the terms of the relevant Ijara Agreement and as a result of a change in the laws of the Cayman Islands or the Kingdom, and such obligation cannot be avoided by the Issuer or SEC, as applicable, taking reasonable measures available to it, the Issuer will, following receipt of an Asset Exercise Notice under the relevant Sale Undertaking, redeem the relevant Certificates in whole but not in part at an amount equal to the Dissolution Distribution Amount on the relevant Tax Redemption Date.

Change of Control Put Option:

Upon the occurrence of a Change of Control and provided that an Asset Exercise Notice has been served on the Issuer by Certificateholders of a Series holding at least one-quarter of the then aggregate face amount of the relevant Certificates outstanding of that Series, Certificateholders may elect to redeem their Certificates on the Change of Control Put Option Date at an amount equal to the Dissolution Distribution Amount in accordance with Condition 10.3. Under the terms of each Purchase Undertaking, SEC has granted to the Trustee the right, following the Change of Control and the service by Certificateholders of the relevant Series of a Change of Control Exercise Notice, to require SEC to purchase all of the Trustee's rights, title, interests, benefits and other entitlements in and to the relevant Ijara Assets at the Dissolution Distribution Amount specified in the Asset Exercise Notice.

A **Change of Control** shall occur if at any time:

- (a) the Government of the Kingdom of Saudi Arabia or any department or authority of the Government of the Kingdom of Saudi Arabia ceases to own, directly or indirectly more than 50 per cent. of the issued share capital of SEC or to control, directly or indirectly, SEC; or
- (b) SEC ceases to own, directly or indirectly, more than 50 per cent. of the issued share capital of each Principal Subsidiary or to control, directly or indirectly, each Principal Subsidiary.

Total Loss Event:

The occurrence of a Total Loss Event will result in the redemption of the Certificates of that Series and the consequent dissolution of the relevant Trust. The Servicing Agent is responsible for ensuring that the Ijara Assets relating to each Series are properly insured. If a Total Loss Event occurs, the Servicing Agent undertakes to ensure that all insurance proceeds in respect thereof are paid directly into the relevant Transaction Account by no later than the 30th day after the occurrence of the Total Loss Event.

Total Loss Event means the total loss or destruction of, or damage to all of the Ijara Assets relating to a Series or any event or occurrence that renders all such Ijara Assets permanently unfit for any economic use and (but only after taking into consideration any insurances or other indemnity granted in each case by any third party in respect of the Ijara Assets) the repair or remedial work in respect thereof is wholly uneconomical.

Asset Substitution:

Pursuant to the Substitution Undertaking in respect of each Series, SEC has the right to require the Trustee to transfer, deliver and convey all of the Trustee's rights, title, interests, benefits and other

entitlements in and to the relevant Substituted Ijara Assets in exchange for the grant by SEC to the Trustee of the relevant New Ijara Assets provided that the value of such New Ijara Assets is equal to or greater than the value of the Substituted Ijara Assets on the Substitution Date.

Further Issues:

The Trustee may, without the consent of the Certificateholders, create and issue additional certificates having the same terms and conditions as the existing Certificates in all respects save for the date and the amount of the first payment of the Periodic Distribution Amount and the date from which the Periodic Distribution Amount starts to accrue so that the issue shall be consolidated and form a single series with the existing Certificates. In connection with the issue of any such additional certificates, the Trustee will enter into a Supplemental Declaration of Trust, a Supplemental Purchase Agreement and a Declaration of Commingling of Assets (the form of which is set out in the Declaration of Trust).

Enforcement:

Following the enforcement, realisation and the ultimate distribution in full of the Trust Assets in respect of a Series to the Certificateholders of that Series in accordance with the relevant Conditions and the Declaration of Trust, the Issuer shall not be liable for any further sums and, accordingly Certificateholders may not take any action against the Issuer or the Trustee or any other person (including SEC, to the extent that it fulfils all of its obligations under the Transaction Documents to which it is a party) to recover any such sum in respect of the relevant Certificates or the relevant Trust Assets.

The Delegate shall not be bound in any circumstances to take any action to enforce or to realise the Trust Assets of a Series or take any action against the Issuer and/or the Trustee and/or SEC under any Transaction Document relating to a Series to which any of the Issuer, the Trustee or SEC is a party unless directed or requested to do so: (a) by an Extraordinary Resolution of that Series; or (b) in writing by the holders of at least 25 per cent. of the then outstanding aggregate face amount of the Certificates of that Series and in either case then only if it shall be indemnified and/or secured and/or prefunded to its satisfaction against all liabilities to which it may thereby render itself liable or which it may incur by so doing and provided that the Delegate shall not be held liable for the consequences of exercising its discretion or taking any such action and may do so without having regard to the effect of such action on individual Certificateholders of that Series.

No Certificateholder of a Series shall be entitled to proceed directly against the Issuer, the Trustee or SEC under any Transaction Document relating to that Series to which either of them is party unless (a) the Delegate, having become bound so to proceed, fails to do so within 30 days of becoming so bound, or is unable for any reason so to do, and such failure or inability is continuing and (b) the relevant Certificateholder (or such Certificateholder together with the other Certificateholders of that Series who propose to proceed directly against any of the Issuer, the Trustee or SEC (as the case may be)) holds at least 25 per cent. of the then aggregate face amount of the Certificates of the Series outstanding. Under no circumstances shall

the Delegate or any Certificateholder of the Series have any right to cause the sale or other disposition of any of the Trust Assets in respect of that Series (other than pursuant to the relevant Purchase Undertaking) and the sole right of the Delegate and the Certificateholders of that Series against the Issuer and/or the Trustee and/or SEC shall be to enforce their respective obligations under the relevant Transaction Documents.

The foregoing paragraphs are subject to this paragraph. After enforcing or realising the Trust Assets in respect of a Series and distributing the proceeds of those Trust Assets in accordance with Condition 6.2, the obligations of the Issuer in respect of the Certificates of that Series shall be satisfied and no holder of the Certificates of that Series may take any further steps against the Issuer, the Trustee, the Delegate or any other person (including SEC, to the extent that it fulfils all of its obligations under the Transaction Documents to which it is a party) to recover any further sums in respect of the Certificates of that Series and the right to receive any sums unpaid shall be extinguished. In particular, no Certificateholder in respect of a Series shall be entitled in respect thereof to petition or to take any other steps for the winding-up of the Issuer.

Role of the Delegate:

Pursuant to the Declaration of Trust, the Trustee will delegate to the Delegate all of the present and future duties, powers, trusts, authorities and discretions vested in the Trustee by certain provisions of the Declaration of Trust. In particular, the Delegate shall be entitled to:

- (a) deliver an Asset Exercise Notice to SEC in accordance with each Purchase Undertaking; and
- (b) following a Dissolution Event which is continuing, take any enforcement action in the name of the Trustee against SEC.

Form and Delivery of the Certificates:

The Certificates will be issued in registered global form only.

The Certificates of each Series will be represented on issue by beneficial interests in a Global Certificate which will be deposited with, and registered in the name of a nominee of, a common depositary for Euroclear and Clearstream. Ownership interests in the relevant Global Certificate will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear and Clearstream (as applicable) and their respective participants. See “Global Certificate”. Definitive Certificates evidencing holdings of Certificates will be issued in exchange for interests in the relevant Global Certificate only in limited circumstances.

Denomination of Certificates:

The Certificates will be issued in minimum denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.

Clearance and Settlement:

Holders of the Certificates must hold their interest in the relevant Global Certificate in book-entry form through Euroclear and/or Clearstream, as the case may be. Transfers within and between each of Euroclear or Clearstream will be in accordance with the usual rules and operating procedures of the relevant clearing system.

Transaction Account:

The Principal Paying Agent will maintain and operate in respect of each Series a separate U.S. dollar account into which, among other things, the rental payments in respect of the relevant Ijara Assets and

payments due to the Trustee under the relevant Purchase Undertaking or the relevant Sale Undertaking, as the case be, will be deposited. Periodic Distribution Amounts and the Dissolution Distribution Amount in respect of the Certificates of each Series will be paid to holders of the Certificates of that Series from funds standing to the credit of the relevant Transaction Account in accordance with the order of priority described under “*Priority of Distributions*” below.

Priority of Distributions:

On each Periodic Distribution Date or on any Dissolution Date, the Principal Paying Agent shall apply the monies standing to the credit of the Transaction Account relating to the relevant Series in the following order of priority:

- (a) *first*, to the Delegate in respect of all amounts owing to it under the relevant Transaction Documents in its capacity as Delegate;
- (b) *second*, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of all Periodic Distribution Amounts due but unpaid;
- (c) *third*, only if such payment is made on a Dissolution Date, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of:
 - a. the relevant Dissolution Distribution Amount; or
 - b. the amount payable following a Total Loss Event, as the case may be;
- (d) *fourth*, only if such payment is made on a Dissolution Date, to the Servicing Agent in or towards payment of all outstanding Additional Service Charge Amounts in respect of that Series (as defined in the Servicing Agency Agreement); and
- (e) *fifth*, only if such payment is made on a Dissolution Date in respect of the relevant Series payment of the residual amount (if any) to the Trustee as an incentive payment.

Withholding Tax:

All payments by SEC under the Transaction Documents to which it is a party are to be made without withholding or deduction for, or on account of, any Taxes imposed in the Kingdom of Saudi Arabia (or any political sub-division or any authority thereof or therein having power to tax). In the event that any such deduction is made, SEC will be required, pursuant to the relevant Transaction Documents, to pay to the Trustee additional amounts so that the Trustee will receive the full amount which otherwise would have been due and payable under the relevant Transaction Documents.

All payments by the Issuer in respect of the Certificates shall be made without withholding or deduction for, or on account of, Taxes imposed in the Cayman Islands, the Kingdom of Saudi Arabia or any political sub- division or any authority thereof or therein having power to tax. SEC has agreed in the Transaction Documents that, if the Issuer is required to make any payment under the Certificates after deduction or withholding for: (i) Taxes; or (ii) as otherwise required by applicable law and is required to pay additional amounts in respect thereof, SEC will pay to the Issuer additional amounts to cover the

| | |
|-------------------------------|---|
| | amounts so deducted as would have been paid had no such deduction or withholding been required. |
| Listing: | Application has been made to Euronext Dublin for the Certificates to be admitted to the Official List and trading on the Euronext Dublin Regulated Market. |
| Certificateholder Meetings: | A summary of the provisions for convening meetings of Certificateholders to consider matters relating to their interests as such is set out in Condition 18. |
| Tax Considerations: | See the section entitled “ <i>Taxation and Zakat</i> ” for a description of certain tax considerations applicable to the Certificates. |
| Governing Law: | <p>The Transaction Documents (other than the Purchase Agreements, any Sale Agreements and any Substitution Transfer Agreements), and any non-contractual obligations arising out of or in connection with any such Transaction Documents, will be governed by and construed in accordance with English law.</p> <p>The Purchase Agreements, any Sale Agreements and any Substitution Transfer Agreements will be governed by Saudi law.</p> <p>The Corporate Services Agreement will be governed by Cayman Islands law.</p> |
| Transaction Documents: | The Transaction Documents are the Subscription Agreement, the Declaration of Trust, the Agency Agreement, and, in respect of each Series, the Purchase Agreement, the <i>Ijara</i> Agreement, the Servicing Agency Agreement, the Purchase Undertaking, the Sale Undertaking, the Substitution Undertaking, any Sale Agreement and any Substitution Transfer Agreement. |
| Ratings: | <p>The Certificates are expected to be assigned a rating of A- by Fitch and a rating of A2 by Moody’s.</p> <p>A securities rating is not a recommendation to buy, sell or hold the Certificates (or the beneficial interests therein). Ratings may be subject to suspension, reduction or withdrawal at any time by the assigning rating organisation.</p> |
| Selling Restrictions: | There are restrictions on the offer, sale and transfer of the Certificates in the Cayman Islands, the Kingdom of Bahrain, the Kingdom of Saudi Arabia, Hong Kong, Malaysia, Singapore, Qatar, the United Arab Emirates (excluding the DIFC and the ADGM), the DIFC, the ADGM, the United Kingdom and the United States, and such other restrictions as may be required in connection with the offering and sale of the Certificates. See “ <i>Subscription and Sale</i> ”. |
| Waiver of Sovereign Immunity: | SEC acknowledges in the Transaction Documents to which it is a party that to the extent that it may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution before judgment or otherwise or other legal process and to the extent that such immunity (whether or not claimed) may be attributed to it or its assets or revenues, SEC represents and agrees that it will not claim and irrevocably and unconditionally waives to the fullest extent possible under applicable law such immunity in relation to any proceedings. |

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Prospectus and have been filed with the Central Bank of Ireland and Euronext Dublin shall be incorporated in, and form part of, this Prospectus:

- (a) the 2018 Financial Statements, together with the auditors' report thereon (available at: <https://www.se.com.sa/en-us/Lists/AnnualFinancialReports/Attachments/3/Final%20SEC%20English%20year%20end%20FS%202018%20With%20audit%20report.pdf>);
- (b) the 2019 Financial Statements, together with the auditors' report thereon (available at: https://www.se.com.sa/en-us/Lists/AnnualFinancialReports/Attachments/11/SEC%20year%20end%20FS%202019_English.pdf);
and
- (c) the Interim Financial Statements, together with the auditors' report thereon (available at https://www.se.com.sa/en-us/Lists/AnnualFinancialReports/Attachments/17/SEC_Q2_Financials_english.pdf).

Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus.

USE OF PROCEEDS

The net proceeds of the issue of the Certificates of each Series of approximately U.S.\$650,000,000, in the case of the 2025 Certificates, and U.S.\$650,000,000, in the case of the 2030 Certificates will be used by the Trustee as the purchase price to be paid to SEC on the Closing Date for the purchase of the Ijara Assets relating to each Series. SEC will use the net proceeds received from the Trustee as follows.

An amount equal to such net proceeds will be separately identified and applied by SEC to finance and/or refinance in whole or in part projects (**Eligible Green Projects**) in the categories of (a) energy efficiency, which, as at the date of this Prospectus, shall consist of projects for the procurement and installation of smart meters and (b) renewable energy, which, as at the date of this Prospectus, shall consist of projects by way of capital expenditure for the construction and/or operation of the transmission and/or distribution infrastructure for connecting renewable energy sources to the grid, as further described in SEC's Green Sukuk Framework published on its website (https://www.se.com.sa/en-us/Lists/GreenSukukReports/Attachments/3/Green_Sukuk_Framework_Final.pdf) (including as amended, supplemented, restated and/or otherwise updated on such website from time to time, the **Green Sukuk Framework**) and including (i) any such projects the financing and/or refinancing of which was funded no more than 12 months before the Closing Date and (ii) any other eligible projects within any applicable categories in accordance with the Green Sukuk Framework and the ICMA Green Bond Principles as updated from time to time.

The **ICMA Green Bond Principles**, at any time, are the Green Bond Principles published by the International Capital Markets Association at such time, which as of the date of this Prospectus are the Green Bond Principles 2018 (<https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>).

The Eligible Green Projects are intended to help contribute to the environmental objective of climate change mitigation.

If a project to which the net proceeds of the issue of the Certificates of each Series are applied ceases for any reason to be a Green Project, SEC shall endeavour to substitute such project for a replacement Green Project as soon as practicable once an appropriate Green Project for such substitution has been identified.

Pending the full allocation of the net proceeds of the issue of the Certificates of each Series as described above, any unallocated amounts will be held by SEC, at its discretion, in cash, short term deposits or marketable sovereign securities in accordance with SEC's treasury liquidity policy.

SEC intends to publish on its website (<https://www.se.com.sa/en-us/invshareholder/Pages/default.aspx>) reports relating to the allocation of an amount equal to the net proceeds of the Certificates of each Series to such financing and/or refinancing of Eligible Green Projects until such time as such proceeds have been so allocated in full and on the associated environmental and social benefits of such Eligible Green Projects, in each case on an annual basis starting 12 months after the Closing Date, and as necessary in the event of any material changes to such allocation. SEC's annual allocation reporting will also be subject to external verification by an independent auditor, with such verification report also being made available on SEC's website (<https://www.se.com.sa/en-us/invshareholder/Pages/default.aspx>).

SEC has obtained an independent verification assessment from Vigeo Eiris as an external verifier in respect of the Green Sukuk Framework (the **Vigeo Eiris Opinion**) and has published the Vigeo Opinion on its website (<https://www.se.com.sa/en-us/invshareholder/Pages/default.aspx>). SEC has also published an Environmental, Social and Governance report for 2019 in September 2020, which is available on its website (<https://www.se.com.sa/en-us/invshareholder/Pages/default.aspx>).

None of the Green Sukuk Framework or the ICMA Green Bond Principles, or any of the above reports, verification assessments or the contents of any of the above websites are incorporated in or form part of this Prospectus.

DESCRIPTION OF THE ISSUER

General

Saudi Electricity Global SUKUK Company 5, a Cayman Islands exempted company with limited liability, was incorporated on 12 March 2020 under the Companies Law (as amended) of the Cayman Islands with company registration number 361131. The Issuer has been established as a special purpose vehicle for the sole purpose of issuing the Certificates and entering into the transactions contemplated by the Transaction Documents (to which it is a party). The registered office of the Issuer is at c/o Walkers Fiduciary Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman, KY1-9008, Cayman Islands and its telephone number is +1 345 814 7600. The Legal Entity Identifier of the Issuer is 549300WDKWTRF2HVF283.

The Issuer has no subsidiaries. The authorised share capital of the Issuer is U.S.\$50,000.00 consisting of 50,000 ordinary shares of U.S.\$1.00 par value each, of which 100 ordinary shares of U.S.\$1.00 nominal or par value has been issued. The issued shares are fully paid and held by Saudi Electricity Company as at the date of this Prospectus.

Business of the Issuer

The Issuer is a newly formed Cayman Island entity and, as at the date of the Prospectus, the Issuer has no prior operating history or prior business and will not have any substantial liabilities other than in connection with the issue of the Certificates.

The objects for which the Issuer is established are set out in clause 3 of its Memorandum of Association as registered or adopted on 12 March 2020.

Financial Statements

Since the date of its incorporation, the Issuer has not commenced operations, and no financial statements of the Issuer have been prepared. The Issuer is not required by Cayman Islands law, and does not intend, to publish audited financial statements.

Directors of the Issuer

The Directors of the Issuer are as follows:

| <u>Name:</u> | <u>Principal Occupation:</u> |
|---------------------------|------------------------------|
| Karen Ellerbe | Senior Vice President |
| Aaron Bennett | Vice President |

The business address of Karen Ellerbe is c/o Walkers Fiduciary Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman, KY1-9008, Cayman Islands.

The business address of Aaron Bennett is c/o Walkers Professional Services (Middle East) Limited, PO Box 506513, Level 14, Burj Daman, Dubai International Financial Centre, Dubai, United Arab Emirates.

No director listed above has any interest in the promotion of, or any property acquired or proposed to be acquired by, the Issuer and, other than in their capacities as employees and officers of the Issuer Administrator (as defined below), no director has any conflict of interest and/or any potential conflict of interest between the private interests or other duties of the Directors and their duties to the Issuer.

The Administrator

Walkers Fiduciary Limited will also act, or procure that a subsidiary acts, as the corporate service provider of the Issuer (the **Issuer Administrator**). The office of the Issuer Administrator will serve as the general business office of the Issuer. Through the office, and pursuant to the terms of the Corporate Services Agreement, the Issuer

Administrator will perform in the Cayman Islands various administrative functions on behalf of the Issuer, including the preparation of annual financial statements of the Issuer, communications with shareholders and the general public, and the provision of certain clerical, administrative and other services until termination of the Corporate Services Agreement. In consideration of the foregoing, the Issuer Administrator will receive various fees payable by the Issuer at rates agreed upon from time to time, plus expenses. The terms of the Corporate Services Agreement provide that the Issuer may terminate the appointment of the Issuer Administrator by giving one month's notice to the Issuer Administrator or without notice upon the happening of certain stated events, including any breach by the Issuer Administrator of its obligations under the Corporate Services Agreement. In addition, the Corporate Services Agreement provides that the Issuer Administrator shall be entitled to retire from its appointment by giving at least one month's notice in writing.

The Issuer Administrator will be subject to the overview of the Issuer's Board of Directors.

The Issuer Administrator's principal office is c/o Walkers Fiduciary Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman, KY1-9008, Cayman Islands. The Directors of the Issuer are all employees or officers of the Issuer Administrator. The Issuer has no employees and is not expected to have any employees in the future.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following selected consolidated historical financial information as at and for the years ended 31 December 2018 and 2019 has been derived from the 2019 Financial Statements, prepared in accordance with IFRS as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by SOCPA and audited by KPMG Al Fozan & Partners in accordance with International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia and which are included elsewhere in this document. The following selected consolidated historical interim financial information as at and for the six months ended 30 June 2019 and 2020 has been derived from the Interim Financial Statements, prepared in accordance with IFRS as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by SOCPA and reviewed by KPMG Al Fozan & Partners in accordance with International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia and which are included elsewhere in this document.

Prospective investors should read the following selected consolidated financial information in conjunction with the information contained in “*Presentation of Financial Information*”, “*Risk Factors*”, “*Financial Review*”, “*Description of the SEC Group’s business*” and the Financial Statements (including the related notes thereto).

STATEMENT OF INCOME

The following table shows SEC’s consolidated statement of income data for the six months ended 30 June 2019 and 2020, respectively and for the years ended 31 December 2019 and 2018, respectively.

| | <u>Six months ended 30 June</u> | | <u>Year ended 31 December</u> | |
|--|---------------------------------|-----------------|-------------------------------|-----------------|
| | <u>2020</u> | <u>2019</u> | <u>2019</u> | <u>2018</u> |
| | <i>(SAR million)</i> | | <i>(SAR million)</i> | |
| Operating revenue | 28,066 | 27,916 | 65,040 | 64,064 |
| Cost of revenue | <u>(28,506)</u> | <u>(26,731)</u> | <u>(58,916)</u> | <u>(58,144)</u> |
| Gross (Loss) / profit | (440) | 1,185 | 6,124 | 5,920 |
| Other income, net | 956 | 727 | 1,656 | 1,436 |
| Fuel supply settlement expenses | (838) | - | - | - |
| General and administrative expenses | (600) | (573) | (1,245) | (1,340) |
| Operating (Loss) / profit for the Period / Year | (922) | 1,339 | 6,535 | 6,016 |

| | | | | |
|---|----------------|----------------|----------------|----------------|
| Finance income | 1 | 4 | 31 | 16 |
| Finance expense | (2,801) | (2,025) | (4,917) | (4,153) |
| Finance costs, net | (2,800) | (2,021) | (4,886) | (4,137) |
| Share of gain / (loss) on equity accounted investees | 0 | (6) | (40) | (62) |
| (Loss) / profit for the period / year before zakat and tax | (3,722) | (688) | 1,609 | 1,817 |
| Zakat and deferred tax income / (expense) | 411 | (11) | (221) | (60) |
| Net (loss) / profit for the period / year | (3,311) | (699) | 1,388 | 1,757 |
| (Loss) / earnings per share (SAR/share): | | | | |
| Basic and diluted (Loss) / earnings per share | (0.79) | (0.17) | 0.33 | 0.42 |

STATEMENT OF FINANCIAL POSITION

The following table shows SEC's consolidated statement of financial position data as at 30 June 2020, 31 December 2019 and 31 December 2018, respectively.

| | 30 June 2020 | 31 December 2019 | 31 December 2018 |
|---|-------------------------|---------------------------------|---------------------------------|
| | | <i>(SAR million)</i> | |
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment, net | 424,148 | 422,969 | 418,102 |
| Right of use assets | 169 | 245 | - |
| Investment properties | 454 | 456 | 535 |
| Intangible assets, net | 473 | 503 | 479 |
| Equity accounted investees | 1,421 | 1,428 | 1,474 |
| Financial assets at amortised cost | 36 | 38 | 43 |
| Financial asset through other comprehensive income | 325 | 325 | 299 |
| Deferred tax assets | - | 18 | 21 |
| Total non-current assets | 427,026 | 425,982 | 420,953 |
| Current assets | | | |
| Inventories, net | 4,855 | 5,056 | 4,745 |
| Electricity receivables, net | 52,387 | 44,884 | 35,131 |
| Loans and advances | 653 | 721 | 695 |
| Prepayments and other receivables | 1,456 | 1,269 | 602 |
| Cash and cash equivalents | 1,539 | 1,918 | 2,429 |

STATEMENT OF FINANCIAL POSITION (Continued)

The following table shows SEC's consolidated statement of financial position data as at 30 June 2020, 31 December 2019 and 31 December 2018, respectively. (Continued)

| | | | |
|--------------------------------------|----------------|----------------|----------------|
| Total current assets | | | |
| ..... | 60,890 | 53,848 | 43,602 |
| Total assets | | | |
| ..... | 487,916 | 479,830 | 464,555 |
| Equity and liabilities | | | |
| Equity | | | |
| Share capital | 41,666 | 41,666 | 41,666 |
| Statutory reserve | 3,851 | 3,851 | 3,712 |
| General reserve | 702 | 702 | 702 |
| Other reserves | (627) | (33) | 714 |
| Retained earnings | 23,324 | 27,383 | 26,884 |
| ..... | 68,916 | 73,569 | 73,678 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Long-term loans | 55,410 | 52,474 | 48,889 |
| Sukuk | 39,290 | 39,290 | 39,289 |
| Loan from Government | 48,861 | 47,698 | 46,457 |
| Employees' benefits obligation | 6,831 | 6,580 | 6,063 |
| Long term deferred revenue | 55,469 | 50,151 | 44,040 |
| Long-term Deferred government grants | 43,046 | 43,665 | 44,539 |
| Derivative financial instruments | 1,134 | 573 | 268 |
| Asset retirement obligations | 272 | 268 | 259 |

STATEMENT OF FINANCIAL POSITION (Continued)

The following table shows SEC's consolidated statement of financial position data as at 30 June 2020, 31 December 2019 and 31 December 2018, respectively. (Continued)

| | | | |
|---|----------------|----------------|----------------|
| Deferred tax liability | - | 427 | 298 |
| Non-current portion of lease liabilities | 85 | 105 | - |
| Total non-current liabilities | 250,398 | 241,231 | 230,102 |
| Current liabilities | | | |
| Short term loans and facilities | 20,217 | 20,179 | 22,944 |
| Trade payables | 28,869 | 22,425 | 17,050 |
| Accruals and other payables | 13,220 | 12,749 | 12,835 |
| Provision for other liabilities and charges | 310 | 305 | 332 |
| Customer refundable deposits | 1,996 | 1,998 | 1,994 |
| Government payables | 92,495 | 92,495 | 92,495 |
| Advances from customers | 8,834 | 12,748 | 11,411 |
| Current portion of deferred revenue | 2,486 | 1,926 | 1,689 |
| Current portion of lease liabilities | 94 | 144 | - |
| Derivative financial instruments | 81 | 61 | 25 |
| Total current liabilities | 168,602 | 165,030 | 160,775 |
| Total liabilities | 419,000 | 406,261 | 390,877 |
| Total equity and liabilities | 487,916 | 479,830 | 464,555 |

STATEMENT OF CASH FLOWS

The following table shows SEC's consolidated statement of cash flows data for the six months ended 30 June 2019 and 2020 and years ended 31 December 2018 and 2019, respectively.

| | Six months ended 30 June | | Year ended 31 December | |
|--|--------------------------|--------------|---------------------------|--------------|
| | 2019 | 2020 | 2018 | 2019 |
| | <i>(SAR million)</i> | | | |
| Net cash generated from operating activities | 11,356 | 9,534 | 25,141 | 25,705 |
| Net cash (used in) investing activities | (9,024) | (9,517) | (28,440) | (21,143) |
| Net cash (used in) / generated from financing activities | (618) | (396) | 4,670 | (5,073) |
| Net change in cash and cash equivalents | 1,714 | (379) | 1,371 | (511) |
| Cash and cash equivalents at the beginning of the period / year | 2,429 | 1,918 | 1,058 | 2,429 |
| Cash and cash equivalents at the end of the period / year | 4,143 | 1,539 | 2,429 | 1,918 |

FINANCIAL REVIEW

FINANCIAL REVIEW

The following discussion and analysis should be read in conjunction with the information set out in “*Presentation of financial information*”, “*Selected consolidated financial information*” and the Financial Statements.

The discussion of the SEC Group’s financial condition and results of operations is based upon the Financial Statements. This discussion contains forward-looking statements that involve risks and uncertainties. The SEC Group’s actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Prospectus, particularly under the headings “*Forward-looking statements*” and “*Risk Factors*”.

See “*Presentation of financial information*” for a discussion of the source of the numbers presented in this section.

OVERVIEW

The SEC Group is the Kingdom’s leading producer of electricity and has a monopoly on the transmission and distribution of electric power in the Kingdom. As at the date of this Prospectus, SEC is, indirectly, 81.1 per cent. owned by the Government, comprising a 74.3 per cent. share held by the PIF and a 6.9 per cent. share held by Saudi Aramco, with the remaining 18.8 per cent. being held by the general public. SEC has been rated A2 by Moody’s, A- by Fitch and A- by S&P.

The SEC Group’s principal business activities are the generation, transmission and distribution of electricity within the Kingdom, the largest economy in the GCC. The SEC Group’s total sales of electricity were 279,678 GWh in 2019, of which 128,141 GWh (45.8 per cent.) was sold to residential customers, 49,436 GWh (17.7 per cent.) was sold to industrial customers, 45,998 GWh (16.4 per cent.) was sold to commercial customers and 40,337 GWh (14.4 per cent.) was sold to governmental customers. The balance of 15,766 GWh (5.6 per cent.) was sold to other customers, such as agricultural, health and education, and desalination customers.

For the year ended 31 December 2019, the SEC Group’s total consolidated operating revenue was SAR 65,040 million (compared to SAR 64,064 million for the year ended 31 December 2018) and its net income was SAR 1,388 million (compared to SAR 1,757 million for the year ended 31 December 2018). As at 31 December 2019, the SEC Group’s total assets were SAR 479,830 million (compared to SAR 464,555 million as at 31 December 2018).

For the six months ended 30 June 2020, the SEC Group’s total consolidated operating revenue was SAR 28,066 million (compared to SAR 27,916 million for the six months ended 30 June 2019) and its net loss for that period was SAR 3,311 million (compared to SAR 699 million for the six months ended 30 June 2019). As at 30 June 2020, the SEC Group’s total assets were SAR 487,916 million (compared to SAR 479,830 million as at 31 December 2019).

PRINCIPAL FACTORS AFFECTING RESULTS OF OPERATIONS

The following is a discussion of the principal factors that have affected, or are expected to affect, the SEC Group’s results of operations.

Change in customer demand

Total energy consumption by the SEC Group’s customers increased from 288,656 GWh in 2017 to 289,929 GWh in 2018 (an increase of 0.4 per cent. in 2018) and decreased to 279,678 GWh in 2019 (a decrease of 3.5 per cent. in 2019). The increase in consumption in 2018 was driven by industrial customers and other customers, where consumption increased by 8.3 per cent. and 23.6 per cent., respectively. The decrease in consumption in 2019 was driven by governmental and other customers (such as agricultural, health and education, and desalination customers), where consumption decreased by 3.6 per cent. and 23.9 per cent., respectively. Within the other principal customer categories, in 2019, consumption by industrial customers, commercial customers and residential customers decreased by 3.3 per cent., 0.5 per cent. and 1.4 per cent., respectively. Despite this overall decrease, revenues from commercial customers grew during these periods due to the addition of new commercial customers and changes in their consumption pattern.

The marginal decrease in overall demand for electricity in the Kingdom has been primarily driven by a change in consumer behaviour toward rationalisation. This change in consumer behaviour and resultant net decrease in demand for electricity in the Kingdom has been partially offset by increased demand driven by growth in customer

numbers. Since the SEC Group was established in 2000, the number of its customers has increased each year, reaching 9.0 million at 31 December 2017, 9.4 million at 31 December 2018 (an increase of 4.0 per cent. in 2018) and 9.8 million at 31 December 2019 (an increase of 3.7 per cent. in 2019).

Regulated tariffs

Substantially all of the SEC Group's operating revenues are derived from the sale of electricity to customers within the Kingdom. Tariffs in respect of these sales are determined by the Council of Ministers on the recommendation of ECRA (in the case of residential customers) and, subject to some limitations, by ECRA (in the case of all other customers), although such tariffs must not exceed SAR 0.26/KWh without the approval of the Council of Ministers. See "*Description of the SEC Group's business – Tariffs*".

The electricity tariff in force in the Kingdom had remained largely unchanged from 2000 and 2010. In July 2010, a revised tariff structure was implemented, with further revisions taking place effective as of January 2016 and January 2018. The current electricity tariff reflects the following:

- a flat rate tariff for industrial and health and education users of SAR 0.18 per KWh;
- a variable rate tariff for agricultural and charitable users ranging from SAR 0.16 per KWh to SAR 0.20 per KWh based on quantity consumed;
- a variable rate tariff ranging for residential users from SAR 0.18 per KWh to SAR 0.30 per KWh based on quantity consumed;
- a variable rate tariff ranging for commercial users from SAR 0.20 per KWh to SAR 0.30 per KWh based on quantity consumed; and
- a flat tariff for government users of SAR 0.32 per KWh.

Cost and availability of fuel

All natural gas and liquid fuel (comprising diesel, light crude oil and heavy fuel oil) consumed by the SEC Group's generation plants is supplied by Saudi Aramco under long-term arrangements whereby Saudi Aramco supplies fuel to the SEC Group at prices set by the Government, which are currently below the market price for such fuel. Furthermore, pursuant to the Council of Ministers' Resolution No. 227 dated 09/09/1427H (corresponding to 02/10/2006G) (**Resolution No. 227**), the SEC Group defers payment to Saudi Aramco under this fuel supply arrangement. While the price of fuel supplied by Saudi Aramco has remained unchanged throughout the periods under review (except in the case of diesel, where there was an increase in price from SAR 0.33 per litre to SAR 0.36 per litre as of 1 January 2018) there can be no assurance that the SEC Group will be able to source sufficient fuel under this arrangement with Saudi Aramco. If the SEC Group is unable, in the future, to source sufficient fuel under its current arrangement with Saudi Aramco, any alternative fuel supply arrangement could adversely affect its results of operations. See "*Risk Factors – The SEC Group is dependent on a single related-party supplier of fuel at prices set by the Government*". Notwithstanding this, fuel costs still constitute a significant portion of SEC's operating costs, comprising 11.1 per cent. and 12.9 per cent. of SEC's cost of sales for the six months ended 30 June 2020 and the year ended 31 December 2019, respectively.

Cost of purchased power

In addition to producing power itself, SEC Group also purchases power from the following other sources in the Kingdom: SWCC, IPPs (joint operations) and IWPPs and also from other small producers in the Kingdom such as rented generation, GCCIA and major industrial facilities that have excess capacity. The SEC Group purchases electricity from SWCC at tariffs determined by the Government and from the IPPs and IWPPs at agreed prices, under long-term power on-sale agreements (through the Saudi Water Partnership Company (**SWPC**) (formerly known as the Water and Electricity Company), in the case of the Shoaibah and Shuqaiq IWPPs). In the year ended 31 December 2019, SEC purchased 132,075 GWh of additional electricity from third-party suppliers compared to 137,649 GWh of additional electricity in the year ended 31 December 2018. While the prices paid by the SEC Group in respect of its electricity purchases have remained steady over the periods under review, the SEC Group's electricity costs over the periods under review have decreased, principally as a function of decreased purchases of additional fuel due to a decrease in electricity demand.

Relationship with the Government

As at the date of this Prospectus, the Government owns, indirectly through the PIF and Saudi Aramco, approximately 81.1 per cent. of SEC's issued share capital. Five of the nine members of the Board represent the PIF and one represents Saudi Aramco. The remaining three members of the Board are representatives from the private sector (see "*Management and Employees*"). The Government is also the SEC Group's largest customer as well as its regulator. The Government has, in the past, provided, and is expected to continue in the future to provide, significant financial support to the SEC Group. In the past, this support has taken the form of subsidised loans, the waiver of dividends, higher tariffs for electricity supplied to governmental customers, the provision of subsidised fuel through Saudi Aramco, permission to defer payment for fuel supplied by Saudi Aramco and power purchased from SWCC, an exemption from municipality fees, a government grant to deploy the fibre optic network and the assumption of responsibility for significant payables owed to Saudi Aramco. See "*Description of the SEC Group's business – Relationship with the Government*" for further details regarding the SEC Group's relationship with the Government.

Seasonality

The SEC Group's electricity sales are seasonal. Generally, demand for electricity is significantly higher in the warmer summer period (May to September) than in the cooler winter period (October to April) due to the increased use of air conditioning. As a result of this seasonality, the SEC Group's revenues and results of operations tend to be higher in the second and third quarters than in the first and fourth quarters of each year.

In addition, the increasing proximity to, and overlap of, Ramadan with the summer months has increased peak demand during the summer months (see "*Financial Review – Results of Operations – Cost of Purchased Power*" above.)

Significant capital expenditure programme

The SEC Group is currently undertaking a significant capital expenditure programme which is described under "*Liquidity and capital resources – Capital expenditure*". In order to fund this capital expenditure, SEC expects to use cash flow from operations and to increase its borrowings significantly in future years. Reflecting the fact that SEC's practice is to capitalise the interest on all long-term borrowings on eligible assets, this increased borrowing is not expected to materially impact the SEC Group's income statement in future years. However, the increased capital expenditure is expected to result in a material increase in the SEC Group's fixed assets and, as a result, the SEC Group's depreciation charge in future years is likely to continue to increase. Furthermore, increased indebtedness undertaken in connection with the capital expenditure programme is expected to increase the SEC Group's finance costs. See "*Risk Factors – SEC may not be able to obtain sufficient funding to finance, and may be subject to increased financing risk as a result of undertaking increased indebtedness in connection with, its planned capital expenditures programme and indebtedness*".

SIGNIFICANT ACCOUNTING POLICIES, CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing the SEC Group's financial statements, management is required to make certain estimates, judgements and assumptions. These affect the reported amounts of the SEC Group's assets and liabilities, including disclosure of contingent assets and liabilities, at the date of the financial statements as well as the reported amounts of its revenues and expenses during the periods presented. Management bases its estimates and assumptions on historical experience and other factors that it believes to be reasonable at the time the estimates and assumptions are made and evaluates the estimates and assumptions on an ongoing basis. However, future events and their effects cannot be predicted with certainty and the determination of appropriate estimates and assumptions requires the use of judgment. Actual outcomes may differ from any estimates or assumptions made and such differences may be material to the financial statements.

The IFRS Financial Statements have been prepared in accordance with IFRS as issued by SOCPA, see "*Presentation of financial information*". Certain of the significant accounting policies applied by the SEC Group are described below. For a summary of other significant accounting policies applied by the SEC Group, see note 6 to the 2019 Financial Statements and note 6 to the Interim Financial Statements.

For all periods up to and including the year ended 31 December 2016, the SEC Group prepared its consolidated financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia as issued by SOCPA. Effective from 1 January 2017, the Board of Directors of SOCPA decided to adopt IFRS,

which requires the SEC Group to prepare and present its consolidated financial statements in accordance with IFRS adopted in Saudi Arabia and the other standards and guidelines approved by the Saudi Organization of SOCPA.

RESULTS OF OPERATIONS

Comparison of the six month periods ended 30 June 2020 and 30 June 2019 and the years ended 31 December 2019 and 2018

Operating revenues

The table below shows the breakdown of the SEC Group's operating revenues for each of the six month periods ended 30 June 2019 and 30 June 2020.

| | Six months ended 30 June | | | | Change (SAR million) | (% change) |
|---|--------------------------|--------------|---------------|--------------|-------------------------|------------|
| | 2019 | | 2020 | | | |
| | (SAR million) | (% of total) | (SAR million) | (% of total) | | |
| Electricity sales | 25,512 | 91.4 | 25,178 | 89.7 | (334) | (1.3) |
| Meter reading, maintenance and bills preparation tariff | 669 | 2.4 | 689 | 2.5 | 20 | 3 |
| Electricity service connection tariffs | 786 | 2.8 | 1,218 | 4.3 | 432 | 55 |
| Transmission system revenue | 544 | 1.9 | 719 | 2.6 | 175 | 32.2 |
| Other operating revenues | 405 | 1.5 | 262 | 0.9 | (143) | (35.3) |
| Total operating revenues | 27,916 | 100.0 | 28,066 | 100.0 | 150 | 0.5 |

The table below shows the breakdown of the SEC Group's operating revenues for each of 2018 and 2019.

| | Year ended 31 December | | | | Change (SAR million) | (% change) |
|---|------------------------|--------------|---------------|--------------|-------------------------|------------|
| | 2018 | | 2019 | | | |
| | (SAR million) | (% of total) | (SAR million) | (% of total) | | |
| Electricity sales | 59,623 | 93.1 | 58,865 | 90.5 | (758) | (1.3) |
| Meter reading, maintenance and bills preparation tariff | 1,304 | 2.0 | 1,348 | 2.1 | 44 | 3.4 |
| Electricity service connection tariffs | 1,608 | 2.5 | 1,834 | 2.8 | 226 | 14.1 |
| Transmission system revenue | 1,006 | 1.6 | 1,131 | 1.7 | 125 | 12.4 |
| Other operating revenues | 523 | 0.8 | 1,862 | 2.9 | 1,339 | 256 |

| | Year ended 31 December | | | | | |
|---------------------------------|------------------------|--------------|---------------|--------------|------------|------------|
| | 2018 | | 2019 | | Change | (% change) |
| (1) | | | | | | |
| | | | | | | |
| Total operating revenues | 64,064 | 100.0 | 65,040 | 100.0 | 976 | 1.5 |

Notes:

- (1) Based on Royal Decree No. 2719 dated 14/01/1438H (corresponding to 15/10/2016G), and further elaboration received in a letter from the Ministry of Finance dated 27 January 2020 (Ministerial Letter No. 5627 dated 02/06/1441H (corresponding to 27/01/2020G)), a balancing account has been established by the Government (see "*Description of the SEC Group's Business – Strategy – Sustainability and Efficiency*"), effective from the year ended 31 December 2019. SEC has recognised the Government contribution to this account of SAR 1.1 billion as at 31 December 2019 as other operating revenue in its consolidated statement of income for the year ended 31 December 2019. Management of SEC does not currently have a mechanism for estimating and recognising as other operating revenue any contributions to the balancing account for any period prior to the year end, as the amount to be contributed to the balancing account is only determined following the year end and based on SEC's actual operating revenues for the year ended.

The SEC Group's operating revenues principally comprise its revenues from the sale of electricity to its customers. Electricity sold is either self-generated or purchased from third-party generators (See "*Financial Review – Cost of purchased power*"). The table below shows the proportion of electricity sales by each customer segment for each of 2018 and 2019.

| | Year ended 31 December | | |
|--------------------------------|------------------------|---------------|--------------|
| | 2018 | 2019 | (% change) |
| | (SAR million) | (SAR million) | |
| Residential | 24,153 | 23,815 | (1.4) |
| | | | |
| Commercial | 11,240 | 11,421 | 1.6 |
| | | | |
| Government | 12,930 | 12,881 | (0.4) |
| | | | |
| Industrial | 9,040 | 8,836 | (2.3) |
| | | | |
| Others | 2,260 | 1,912 | (15.4) |
| | | | |
| Total electricity sales | 59,623 | 58,865 | (1.3) |

In the years ended 31 December 2018 and 2019, the SEC Group generated 66 per cent. and 68.5 per cent. of the electricity which it sold to customers in the Kingdom. In the year ended 31 December 2019, the SEC Group accounted for 69.7 per cent of the electricity generation capacity in the Kingdom. As at 31 December 2019, the SEC Group owned, or was the sole off-taker under long-term power purchase agreements in respect of, all of the traded generation capacity in the Kingdom other than certain capacity utilised principally for its own use by Saudi Aramco, Ma'aden, Marafiq and SADAF. The SEC Group also derives operating revenue from the monthly tariff charged for meter reading, maintenance and bills preparation and a one-off tariff charged for making initial electricity connections. The monthly tariff is determined by reference to the capacity of the meter used by each customer, whereas the one-off tariff is paid by the customer at the time of connecting to the grid but deferred by SEC and recognised in its accounts on a straight line basis over the 20-year estimated average useful life of the equipment being installed.

The SEC Group also records amounts contributed by the Government to the balancing account as other operating revenues (see "*Description of the SEC Group's Business – Strategy – Sustainability and Efficiency*") and revenues from fees charged for reconnecting customers who have been disconnected for non-payment of bills and from Dawiyat Telecom Company, a wholly owned subsidiary established in 2009 to lease fibre optic networks to telecommunications companies. The SEC Group expects that revenue from Dawiyat Telecom Company will

increase in future years, although the amounts are currently not material in the context of the SEC Group's income statement.

The SEC Group's total operating revenues for 2019 amounted to SAR 65,040 million compared to SAR 64,064 million for 2018 (an increase of 1.5 per cent.). For the six months ended 30 June 2020, the SEC Group's total operating revenues amounted to SAR 28,066 million compared to SAR 27,916 for the six months ended 30 June 2019 (an increase of 0.5 per cent.).

Six month periods ended 30 June 2020 and 30 June 2019

The increase in the SEC Group's total operating revenues of SAR 150 million, or 0.5 per cent., for the six months ended 30 June 2020 compared to the six months ended 30 June 2019, principally reflected an increase of SAR 432 million, or 55 percent, in revenue from electricity connection fees. This increase was driven principally by a combination of a higher recognised component of deferred revenue and a growth in the customer base.

The SEC Group's revenues from electricity sales decreased by SAR 334 million, or 1.3 per cent., for the six months ended 30 June 2020 compared to the six months ended 30 June 2019, principally reflecting a shift in the energy consumption mix from the commercial, governmental and industrial sectors to the residential sector as a result of lockdown measures implemented in the Kingdom in response to the COVID-19 pandemic.

The SEC Group's revenues from meter reading, maintenance and bills preparation increased by SAR 20 million, or 3 per cent., for the six months ended 30 June 2020 compared to the six months ended 30 June 2019, principally reflecting an increase in customer numbers over the period.

The SEC Group's revenues from its transmission network increased by SAR 175 million, or 32.2 per cent., principally reflecting higher wheeling charges to other power producers who use SEC's transmission network.

2019 and 2018

The increase in the SEC Group's total operating revenues of SAR 976 million, or 1.5 per cent., in 2019 compared to 2018 principally reflected an increase of SAR 226 million, or 14 per cent., in electricity connection tariff revenue and of SAR 1,339 million, or 256 per cent., in other operating revenue. The increase in electricity connection tariff revenue was driven by an increase in the customer base principally in residential, industrial and other customers. The increase in other operating revenue was driven principally by the establishment by the Government of the balancing account in favour of SEC (see "*Description of the SEC Group's Business – Strategy – Sustainability and Efficiency*") to which the Government contribution for the year ended 31 December 2019 was SAR 1.1 billion, together with, among other factors, higher fibre optic lease revenue and higher reactive power charges. See also "*Financial Review – Principal Factors Affecting Results of Operations – Change in Customer Demand*".

The SEC Group's revenues from electricity sales decreased by SAR 758 million, or 1.3 per cent., in 2019 compared to 2018, principally reflecting a decrease. in the gigawatt-hours of electricity sold to the SEC Group's governmental and other customers (such as agricultural, health and education, and desalination customers) for the period of 3.6 per cent. and 23.9 per cent., respectively.

The SEC Group's revenues from meter reading, maintenance and bills preparation increased by SAR 44 million, or 3.4 per cent., in 2019 compared to 2018, principally reflecting an increase in customer numbers over the period.

The SEC Group's revenues from electricity service connections increased by SAR 226 million, or 14.1 per cent., in 2019 compared to 2018, principally reflecting an increase in the number of new connections which totalled 344,261 in 2019.

Cost of sales

The table below shows the breakdown of the SEC Group's cost of sales for each of the six month periods ended 30 June 2020 and 30 June 2019.

| Six months ended 30 June | | | | | |
|---------------------------------|---------------------|----------------------|---------------------|---------------|-----------------|
| 2019 | | 2020 | | Change | % change |
| <i>(SAR million)</i> | <i>(% of total)</i> | <i>(SAR million)</i> | <i>(% of total)</i> | | |
| | | | | | |

| | | | | | | |
|---|---------------|------------|---------------|------------|--------------|------------|
| Fuel | 3,006 | 11.2 | 3,171 | 11.1 | 165 | 5.5 |
| Purchased energy | 3,673 | 13.7 | 4,175 | 14.6 | 502 | 13.7 |
| Operations and maintenance expenses | 4,613 | 17.3 | 5,154 | 18.1 | 541 | 11.7 |
| Government fees | 6,400 | 23.9 | 6,903 | 24.2 | 503 | 7.9 |
| Depreciation of operations and maintenance assets | 8,965 | 33.5 | 9,021 | 31.6 | 56 | 0.6 |
| Depreciation of right of use asset | 74 | 0.3 | 82 | 0.3 | 8 | 10.8 |
| Total cost of sales | 26,731 | 100 | 28,506 | 100 | 1,775 | 6.6 |

The table below shows the breakdown of the SEC Group's cost of sales for each of 2018 and 2019.

| | Year ended 31 December | | | | Change | % change |
|--|------------------------|--------------|---------------|--------------|------------|------------|
| | 2018 | | 2019 | | | |
| | (SAR million) | (% of total) | (SAR million) | (% of total) | | |
| Fuel | 7,670 | 13.2 | 7,576 | 12.9 | (94) | (1.2) |
| Purchased energy | 8,254 | 14.2 | 7,805 | 13.2 | (449) | (5.4) |
| Operations and maintenance expenses | 11,082 | 19.0 | 10,678 | 18.1 | (404) | (3.6) |
| Government fees | 14,704 | 25.3 | 14,494 | 24.6 | (210) | (1.4) |
| Depreciation of operations and maintenance assets ⁽¹⁾ | 16,434 | 28.3 | 18,204 | 30.9 | 1,770 | 10.8 |
| Depreciation of right of use asset | - | - | 159 | 0.3 | 159 | 100 |
| Total cost of sales | 58,144 | 100.0 | 58,916 | 100.0 | 772 | 1.3 |

- (1) During the first quarter of 2020, SEC re-assessed the residual value of property, plant and equipment, which resulted in calculating the residual value of these items at 1.8 per cent. of the cost of the asset (previously it was estimated at zero). As a result, the depreciation charge of the aforementioned items has been reduced by SAR 448 million for the period ended 30 June 2020, resulting in a decrease in operating costs.

The SEC Group's cost of sales comprise the cost of the fuel required to run its generation plants, the cost of energy purchased from third-party generators, operations and maintenance costs, government fees and depreciation in respect of its operations and maintenance assets.

Six month periods ended 30 June 2020 and 30 June 2019

The increase in the SEC Group's cost of sales of SAR 1,775 million, or 6.6 per cent., for the six months ended 30 June 2020 compared to the six months ended 30 June 2019 principally reflected:

- an increase of SAR 502 million, or 13.7 per cent., in purchased energy due to an IPP becoming operational during the period and higher output from some IPPs and IWPPs; and
- an increase of SAR 541 million, or 11.7 per cent., in operation and maintenance expenses due to higher contracts and material costs, together with a one-off reversal of provisions in the six months ended 30 June 2019 and additional provisions allocated in the six months ended 30 June 2020.

2019 and 2018

The increase in the SEC Group's cost of sales of SAR 772 million, or 1.3 per cent., in 2019 compared to 2018 principally reflected:

- an increase of SAR 1,770 million, or 10.8 per cent., in depreciation arising from an increase in depreciable assets in 2019 due to an expanded asset base as a result of the SEC's investment in its generation, transmission and distribution capabilities. See "*Liquidity and Capital Resources – Capital expenditure*"; and
- a decrease of SAR 449 million, or 5.4 per cent., in purchased energy due to a decrease in energy purchased as a result of an increase in energy generated internally by SEC and a decrease in customer demand.

Gross profit / loss

Reflecting the above factors, the SEC Group's gross profit was SAR 6,124 million in 2019 compared to SAR 5,920 million in 2018, an increase of 3.45 per cent. For the six months ended 30 June 2020, the SEC Group's gross loss was SAR 440 million compared to a gross profit of SAR 1,185 million for the six months ended 30 June 2019, decrease of 137 per cent.

General and administrative expenses

The SEC Group's general and administrative expenses principally comprise the cost of its general and administrative staff, communication, depreciation (operations and maintenance) and materials costs charged under this heading. For the six months ended 30 June 2019, the SEC Group's general and administrative expenses were SAR 573 million compared to SAR 600 million for the six months ended 30 June 2020, an increase of 4.7 per cent. The SEC Group's general and administrative expenses were SAR 1,340 million in 2018 compared to SAR 1,245 million in 2019. The SAR 95 million, or 7.1 per cent. decrease in general and administrative expenses in 2019 compared to 2018 was principally due to a decrease in employee benefit expenses.

Operating income / loss

The SEC Group's operating income for the year was SAR 6,016 million in 2018 compared to SAR 6,535 million in 2019, an increase of 8.6 per cent. This increase for the year ended 31 December 2019 principally reflects the decrease in general and administrative expenses, an increase in other revenue, the establishment by the Government of the balancing account in favour of SEC with a contribution of a SAR 1.1 billion for the year ended 31 December 2019. For the six months ended 30 June 2019, the SEC Group's operating income for the period was SAR 1,339 million compared to an operating loss for the period of SAR 922 million for the six months ended 30 June 2020, a decrease of 168.9 per cent. This decrease for the six months ended 30 June 2020 principally reflects a one-off settlement of fuel dues differences to Saudi Aramco amounting to SAR 837 million, higher purchased power costs mainly due to an additional IPP becoming operational and an increase in government fees as a result of a change in the energy consumption mix towards the residential sector as a result of lockdown measures implemented in the Kingdom in response to the COVID-19 pandemic.

Finance costs, net

The SEC Group's finance costs principally comprise expenses relating to bank borrowings and government loans (less capitalised interest) and unwinding of discounts on employees' benefits obligations and asset retirement obligations. The SEC Group's finance income comprises interest income.

The SEC Group's net finance costs were SAR 4,137 million in 2018 compared to SAR 4,887 million in 2019, an increase of 18.1 per cent., which principally reflected increased interest expenses of SAR 403 million (an increase of 9.7 per cent.) relating to bank borrowings.

For the six months ended 30 June 2020, the SEC Group's net finance costs were SAR 2,800 million compared to SAR 2,021 million for the six months ended 30 June 2019, an increase of 38.5 per cent., which principally reflected increased interest expenses of SAR 583 million (an increase of 30.5 per cent.) relating to bank borrowings.

On 26 August 2020, SEC also entered into a SAR 9 billion syndicated Murabaha facility with local banks.

Net income

Reflecting the above factors, the SEC Group's net income for 2018 was SAR 1,757 million compared to SAR 1,388 million for 2019, a decrease of 21.0 per cent. For the six months ended 30 June 2020, the SEC Group's net loss was SAR 3,311 million compared to a net loss of SAR 699 million for the six months ended 30 June 2019.

LIQUIDITY AND CAPITAL RESOURCES

Overview

The SEC Group's principal cash requirements are to fund its significant and ongoing capital expenditure programme, the principal elements of which are discussed further below. In past years the SEC Group's operating cash flow has been insufficient to fund the entirety of its capital expenditure programme and, as a result, proceeds from borrowings (including subsidised Government funding) and from securities issued have been an important source of funds for the SEC Group. With the SEC Group's capital expenditure programme expected to remain at significant levels for the foreseeable future, proceeds from borrowings are expected to continue to form an important source of funding for the SEC Group in future years, see "*Risk Factors – Risk factors relating to the SEC Group and its business – SEC may not be able to obtain sufficient financing to finance, and may be subject to increased financing risk as a result of undertaking increased indebtedness in connection with, its planned capital expenditure programme*".

Budgeting and Planning

Typically, SEC's annual budgeting process is managed by the capital planning department based on the demand projections, which are prepared by the system planning department in conjunction with the Government's Ministry of Economy and Planning. The demand projection is typically based on a long-term forecast, which is subject to periodic review and updating. The SEC Group's business units develop a budget and spending plan for investment based on such demand projection. Any project that has been approved in a prior budget is generally treated as committed capital expenditure. The SEC Group's capital planning department coordinates the investment plan and budget by the business units. Based on this approved budget, the SEC Group develops its funding plan for the year. To the extent the SEC Group's operating cash flow is expected to be insufficient to fund the entirety of its capital expenditure programme, the SEC Group then evaluates financing options, including borrowings and capital markets transactions. In the event that the SEC Group's internal cash flows and external borrowings are insufficient to fund its planned capital expenditure programme, SEC would either seek support from the Government or defer these planned capital expenditures.

Cash flow

The table below shows the SEC Group's cash flow from operating activities, investing activities and financing activities for each of the six month periods ended 30 June 2019 and 30 June 2020.

| | Six months ended 30 June | |
|--|---------------------------------|-------------|
| | 2019 | 2020 |
| | <i>(SAR million)</i> | |
| Net cash generated from operating activities | 11,356 | 9,534 |
| Net cash used in investing activities | (9,024) | (9,517) |

| | | |
|--|-------|-------|
| Net cash used in financing activities | (618) | (396) |
| | | |
| Cash and cash equivalents, end of the period | 4,143 | 1,539 |
| | | |

The table below shows the SEC Group's cash flow from operating activities, investing activities and financing activities for each of 2018 and 2019.

| | Year ended 31 December | |
|--|-------------------------------|-------------|
| | 2018 | 2019 |
| | <i>(SAR million)</i> | |
| Net cash generated from operating activities | 25,141 | 25,705 |
| | | |
| Net cash used in investing activities | (28,440) | (21,143) |
| | | |
| Net cash generated from financing activities | 4,670 | (5,073) |
| | | |
| Cash and cash equivalents, end of the year | 2,429 | 1,918 |
| | | |

Six month periods ended 30 June 2019 and 30 June 2020

The SEC Group's net cash generated from operating activities for the six months ended 30 June 2019 was SAR 11,356 million compared to net cash generated from operating activities of SAR 9,534 million for the six months ended 30 June 2020. The decrease of SAR 1,822 million principally reflected higher net losses for the period.

The SEC Group's net cash used in investing activities for the six months ended 30 June 2019 was SAR 9,024 million compared to SAR 9,517 million for the six months ended 30 June 2020. In each period, the principal investments made were the purchase of property, plant and equipment in relation to the SEC Group's capital expenditure programme. For the six months ended 30 June 2019, the SEC Group's acquisition of property, plant and equipment totalled SAR 9,022 million. For the six months ended 30 June 2020, the SEC Group's acquisition of property, plant and equipment totalled SAR 9,519 million.

The SEC Group's net cash used in financing activities for the six months ended 30 June 2019 was SAR 618 million compared to SAR 396 million for the six months ended 30 June 2020. In the six months ended 30 June 2019, SEC raised proceeds from borrowings of SAR 11,658 million and paid dividends of SAR 733 million and repayments of borrowings of SAR 9,302 million. In the six months ended 30 June 2020, SEC raised proceeds from borrowings of SAR 6,963 million and paid dividends of SAR 714 million and repayments of borrowings of SAR 3,999 million.

2018 and 2019

The SEC Group's net cash generated from operating activities in 2018 was SAR 25,141 million compared to SAR 25,705 million in 2019. The decline in net income was offset by the higher depreciation adjustment, which led to an increase of 5.9 per cent. in cash flows after adjustment of non-cash items. However, there was a lower contribution from changes in working capital.

The SEC Group's net cash used in investing activities in 2018 was SAR 28,440 million compared to SAR 21,143 million in 2019. In each year, the principal investments made were the purchase of property, plant and equipment in relation to the SEC Group's capital expenditure programme. In 2018 and 2019, the SEC Group's purchase of property, plant and equipment totalled SAR 28,355 million and SAR 21,413 million, respectively. For a breakdown of these costs between generation, transmission and distribution projects, see "*Capital expenditure*".

The SEC Group's net cash generated from financing activities in 2018 was SAR 4,670 million compared to a shortfall of SAR 5,073 million in 2019. In 2018, SEC raised proceeds from borrowings and sukuk of SAR 31,987 million and paid dividends of SAR 539 million and repayments of borrowings and sukuk of SAR 22,984 million. In 2019, SEC raised proceeds from borrowings of SAR 16,162 million and paid dividends of SAR 737 million and repayments of borrowings and sukuk of SAR 16,341 million.

Capital expenditure

As noted above under “— *Budgeting and planning*”, SEC's capital expenditure is based on meeting anticipated future demand for electricity in the Kingdom. Although SEC may prepare long-term demand forecasts and preliminary capital expenditure plans based on these forecasts, these plans are subject to material change from year to year.

The table below shows the SEC Group's capital expenditure on construction work in progress for each of 2018 and 2019.

| | Year ended 31 December | |
|--|-------------------------------|---------------|
| | 2018 | 2019 |
| | <i>(SAR million)</i> | |
| Generation projects | 6,215 | 2,906 |
| Transmission projects | 11,247 | 8,882 |
| Distribution projects | 7,714 | 6,580 |
| General property | 2,244 | 2,687 |
| Joint operations | 83 | 11 |
| Total construction work in progress | 27,503 | 21,066 |

In the year ending 31 December 2019, SEC removed 334 MW of installed generation capacity as a result of a number of power plants being retired during the year.

Financial Liabilities

The table below sets out the SEC Group's non-derivative financial liabilities split out into relevant maturity groupings based on the remaining period as at 31 December 2019 to the contract maturity date, noting all current financial liabilities fall within a maturity period of one year or less.

| | 31 December 2019 | | | | Total |
|--|-------------------------|------------------------------|------------------------------|---------------------|--------------|
| | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | |
| | <i>(SAR million)</i> | | | | |
| Non-derivative financial liabilities: | | | | | |
| Loans | 19,179 | 5,278 | 21,507 | 25,689 | 71,653 |
| Sukuk | - | - | 15,188 | 24,102 | 39,290 |

| | | | | | |
|----------------------------------|----------------|--------------|---------------|---------------|----------------|
| Government loans | 1,000 | 1,000 | 3,099 | 43,599 | 48,698 |
| | | | | | |
| Trade payables | 22,425 | - | - | - | 22,425 |
| | | | | | |
| Accruals and other payables | 12,749 | - | - | - | 12,749 |
| | | | | | |
| Lease obligation | 144 | 65 | 40 | | 249 |
| | | | | | |
| Government credit payables | 92,495 | - | - | - | 92,495 |
| | | | | | |
| Derivative financial instruments | 61 | 573 | - | - | 634 |
| | | | | | |
| Total | 148,053 | 6,916 | 39,834 | 93,390 | 288,193 |
| | | | | | |

ANALYSIS OF CERTAIN BALANCE SHEET ITEMS

Assets

The SEC Group's most significant assets are its property, plant and equipment, which comprised 86.9 per cent. of its assets at 30 June 2020 compared to 88.1 per cent. at 31 December 2019 and 90.0 per cent. at 31 December 2018. The SEC Group's property, plant and equipment principally comprise its generation, transmission and distribution machinery and equipment, see "*Description of the SEC Group's business – Businesses*".

The SEC Group's most significant current assets are its receivables from electricity consumers. The table below shows details of the SEC Group's total receivables from electricity subscribers at 30 June 2020 and 31 December in each of 2019 and 2018.

| | As at 30 June | As at 31 December | |
|--|--------------------------|--|-------------|
| | 2020 | 2018 | 2019 |
| | | <i>(SAR million, except percentages)</i> | |
| Gross receivables excluding the provision for doubtful receivables and unbilled revenues | 48,819 | 33,195 | 42,574 |
| Consisting of: | | | |
| Gross receivables from electricity consumers | 46,147 | 30,800 | 40,156 |
| | | | |
| As a percentage of total assets (in %) | 10.0 | 7.1 | 8.9 |
| | | | |
| Receivables from Government institutions | 32,116 | 16,350 | 27,879 |
| | | | |
| Impairment of receivables | (1,558) | (1,615) | (1,550) |
| | | | |
| Impairment of receivables (in %) ⁽¹⁾ | 3.2 | 4.9 | 3.6 |
| | | | |

Notes:

(1) Impairment of receivables divided by gross receivables.

The table below shows a breakdown of SEC's receivables from electricity customers at 30 June 2020 and 31 December in each of 2018 and 2019.

| | As at 30 June | As at 31 December | |
|---|--------------------------|--------------------------|-------------|
| | 2020 | 2018 | 2019 |
| | | <i>(SAR million)</i> | |
| Government institutions | 32,116 | 16,350 | 27,879 |
| | | | |
| Commercial, residential and industrial | 11,080 | 11,804 | 9,296 |
| | | | |
| Electricity service connection projects receivables | 2,672 | 2,395 | 2,418 |
| | | | |

| | | | |
|--|----------------------|----------------------|----------------------|
| Due from related parties | 2,951 | 2,646 | 2,981 |
| ..... | <u>2,951</u> | <u>2,646</u> | <u>2,981</u> |
| Total gross electricity receivables | 48,819 | 33,195 | 42,574 |
| ..... | <u><u>48,819</u></u> | <u><u>33,195</u></u> | <u><u>42,574</u></u> |

Since SEC's establishment in 2000, SEC has not paid for fuel supplied by Saudi Aramco or power purchased from SWCC. See "Description of the SEC Group's business – Relationship with the Government".

Liabilities

The SEC Group's most significant liabilities are its borrowings (including term loans, sukuk and Government loans), its trade payables, its Government credit payables, its deferred government grants, its accounts payable and its long term deferred revenue (which represents the deferred amount of the connection tariff charged to new subscribers, see "– Results of operations – Comparison of the years ended 31 December 2019 and 2018 – Operating revenues").

SAR 92.5 billion in trade payables for fuel supplied to SEC by Saudi Aramco in respect of the period from SEC's incorporation to 31 December 2017 have been transferred to the Government and recorded as Government credit payables, pursuant to the ministerial minutes of the meeting and resolutions according to specific procedures and approvals. SEC's Government credit payables amounted to SAR 92,495 at each of 30 June 2020, 31 December 2019 and 31 December 2018.

As at 30 June 2020, 31 December 2019 and 2018, SEC's trade payables totalled SAR 28,869 million, SAR 22,425 million and SAR 17,050 million, of which 64.5 per cent., 69.0 per cent., and 42.0 per cent., respectively, represented payments due to Saudi Aramco. The amounts of accounts payable owed to Saudi Aramco reflect the fact that SEC has continued to defer payments to Saudi Aramco for fuel supplied by Saudi Aramco. SEC also has significant accounts payable to SWCC, reflecting the fact that it also defers payment to SWCC for electricity which it purchases from SWCC. SEC defers these payments to Saudi Aramco and SWCC based on Resolution No. 227, and this is in line with historic practice. The accounts payable owed to SWCC totalled SAR 721 million at 30 June 2020, SAR 515 million at 31 December 2019 and SAR 607 million at 31 December 2018.

Shareholders' equity

The table below shows SEC's shareholders' equity at 31 December in each of 2018 and 2019.

| | As at 30 June | As at 31 December | |
|-------------------|--------------------------|--------------------------|-------------|
| | 2020 | 2018 | 2019 |
| | | <i>(SAR million)</i> | |
| Share capital | 41,666 | 41,666 | 41,666 |
| ..... | 41,666 | 41,666 | 41,666 |
| Statutory reserve | 3,851 | 3,712 | 3,851 |
| ..... | 3,851 | 3,712 | 3,851 |

| | | | |
|-----------------------------------|---------------|---------------|---------------|
| General reserve | 702 | 702 | 702 |
| Other reserves | (627) | 714 | (33) |
| Retained earnings | 23,324 | 26,884 | 27,383 |
| Total shareholders' equity | 68,916 | 73,678 | 73,569 |

At 30 June 2020, SEC's share capital was divided into 4,166,593,815 shares with a par value of SAR 10 each. SEC is required to make a transfer equal to 10.0 per cent. of its annual net income in each year into its statutory reserve until the reserve reaches 30.0 per cent. of its paid up share capital, at which point the shareholders may discontinue the transfers. SEC's general reserve comprises the balance of the reserves of Saudi Consolidated Electricity Company at 5 April 2000, the date of its merger into SEC, and electricity surcharges collected from individual customers after 31 December 2001.

Principally reflecting its net profits less dividends paid in each year, the SEC Group's retained earnings have decreased from SAR 27,383 million at 31 December 2019 to SAR 23,324 million 30 June 2020. SEC pays dividends only to its minority shareholders in accordance with the SEC Group's articles of association. Further, the Government has agreed, pursuant to the Council of Ministers' Resolution No. 169 dated 11/08/1419H (corresponding to 30/11/1998G), to waive its share of distributed profits for a period of ten years from SEC's establishment, so long as the distributed profits do not exceed 10.0 per cent. of an SEC share's nominal value. In the cases where the distribution exceeds 10.0 per cent. of the shares' par value, the Government shall receive the same dividends as the other shareholders. Following a request by SEC for an extension to this period, the Council of Ministers issued Resolution No. 327 dated 24/09/1430H (corresponding to 14/09/2009G) approving the extension of the government's waiver of its share of profits distributed by SEC for an additional period of ten years starting from 30/12/1430H (corresponding to 18/12/2009G), with such waiver having been further extended in respect of the PIF's shares in SEC for the 2019 financial year pursuant to a letter from the PIF dated 27/08/1441H (corresponding to 20/04/2020G).

RELATED PARTY TRANSACTIONS

SEC's principal related party transactions are with Government agencies, ministries, Saudi Aramco, PIF and SWCC to each of which it supplies electricity. SEC also purchases fuel from Saudi Aramco and electricity from SWCC.

Given the tariffs for the supply of such electricity are set by the Government, such transactions are not by their nature on arm's-length terms, however, the tariff charged to these entities is the same tariff charged to other consumers.

The tariff charged to each of these entities is the same tariff charged to other consumers, except for the tariff charged to SWCC which has been determined by Governmental resolution.

The prices paid by SEC to Saudi Aramco for fuel and to SWCC for electricity are set by the Government.

Details of related party transactions are set out in note 38 of the 2019 Financial Statements and note 24 of the Interim Financial Statements.

CONTINGENT LIABILITIES

SEC's contingent liabilities as at 31 December 2019 principally related to ongoing disputes with Saudi Aramco. However, these disputes were settled in July 2020 with a one off payment of SAR 837 million from SEC to Saudi Aramco as discussed under "*Description of the SEC Group's Business – Disputes with Saudi Aramco*". In addition, the SEC Group's contingent liabilities under certain guarantees as at 30 June 2020 and 31 December in each of 2019 and 2018 were SAR 701 million, SAR 525 million and SAR 513 million, respectively.

DISCLOSURES ABOUT RISK

SEC's risk management policies are described in note 45 to the 2019 Financial Statements. The SEC Group is exposed to a range of financial risks in its business activities, including market risks, liquidity risk and credit risk. SEC seeks to manage these risks through the use of hedging instruments which convert a portion of its floating rate exposure into a fixed rate exposure and which fixed the euro/U.S. dollar exchange rate to protect it against fluctuations in the exchange rate.

ZAKAT

The SEC Group has not made any provision in respect of zakat payable for the years ended 31 December 2018 and 2019. This reflects the fact that for zakat purposes the SEC Group's adjusted net income and zakat base are negative.

SEC has filed the zakat returns until 2008. SEC also submitted zakat declarations for the years 2009 to 2018, which are still under review by the General Authority for Zakat and Income tax. A claim of SAR 375 million has been received for the years 2009-2014 by SEC. SEC does not expect that this claim will result in any future obligations.

On 5/11/1441H (corresponding to 26 June 2020), Royal Decree No. (M/153) was issued in respect of the amendment to Paragraph (A) of article 2 of the Income Tax Law issued by Royal Decree No. (M/1) on 15/1/1425 H, as amended by Royal Decree No. (M/131) on 29/12/1438 H, to amend SEC's status from a tax and zakat mixed company to a 100 per cent. zakat company not subject to income tax. This change was made as a result of the change in the status of the investments of SEC's shareholder, Saudi Aramco, and the exemption granted to companies listed on the Saudi Arabian Stock Exchange (**Tadawul**). Accordingly, the net deferred tax assets and liabilities of SAR 412 million that were recorded in the interim condensed consolidated statement of income were reversed in June 2020.

SEGMENT REPORTING

The main operating activities of the SEC Group are (i) generation, (ii) transmission, and (iii) distribution and subscriber services, which activities have all complemented each other in the production and delivery of electricity to the SEC Group's customers. Almost all of the SEC Group's revenue has historically been derived from the sale of electricity to its customers.

SEC is currently working on implementing an integrated plan to split its main activities into separate companies as a part of government plan to restructure the electricity sector in the Kingdom. As part of this process, these activities are first being transferred into separate wholly-owned subsidiaries of SEC, with the transmission business having been transferred into a separate wholly owned subsidiary, National Grid S.A. (**National Grid**), with effect from 1 January 2012. A power generation subsidiary has also been established, but no generation assets have transferred to this subsidiary as of the date of this Prospectus. SEC anticipates that as part of this restructuring a distribution subsidiary will also be created to hold its distribution assets. The Saudi Company for Power Purchase has further been established as a wholly owned subsidiary of SEC for the purchase and sale of electricity and the performance of the related agreements. See "*Description of the SEC Group's Business – Restructuring of the SEC Group*".

Upon the separation of SEC into separate generation, transmission and distribution subsidiaries the revenues and expenses of each of the separate generation, transmission and distribution subsidiaries will be determined separately in order to measure the performance of each of the SEC Group's operating activities.

DESCRIPTION OF THE SEC GROUP'S BUSINESS

INTRODUCTION

SEC and its subsidiaries and affiliates (taken as a whole, the **SEC Group**) is the Kingdom's leading producer of electricity and has a monopoly on the transmission and distribution of electric power in the Kingdom. As at the date of this Prospectus, SEC is, indirectly, 81.1 per cent. owned by the Government, comprising a 74.3 per cent. share held by PIF and a 6.9 per cent. share held by Saudi Aramco, with the remaining 18.8 per cent. being held by the general public. SEC has been rated A2 by Moody's, A- by Fitch and A- by S&P. The Legal Entity Identifier of SEC is 549300FXO4ZXUIAXGP41.

The SEC Group's principal business activities are the generation, transmission and distribution of electricity within the Kingdom, the largest economy in the GCC. In the year ended 31 December 2019, the SEC Group generated 68.5 per cent. of the total amount of electricity which it sold to customers in the Kingdom. In the year ended 31 December 2019, the SEC Group accounted for 69.7 per cent. of the electricity generation capacity in the Kingdom. The SEC Group's total sales of electricity were 279,678 GWh in 2019, of which 128,141 GWh (45.8 per cent.) was sold to residential customers, 49,436 GWh (17.7 per cent.) was sold to industrial customers, 45,998 GWh (16.4 per cent.) was sold to commercial customers and 40,337 GWh (14.4 per cent.) was sold to governmental customers. The balance of 15,766 GWh (5.6 per cent.) was sold to other customers, such as agricultural, health and education, and desalination customers.

For the six months ended 30 June 2020, the SEC Group's total operating revenue was SAR 28,066 million (compared to SAR 27,916 million for the six months ended 30 June 2019) and its net loss was SAR 3,311 million (compared to net loss of SAR 699 million for the six months ended 30 June 2019). As at 30 June 2020, the SEC Group's total assets were SAR 487,916 million (compared to SAR 479,830 million as at 31 December 2019).

HISTORY

In 1975, the Government created the Ministry of Industry and Electricity (which was replaced by the Ministry of Water and Electricity in 2003 and then, in respect of the electricity sector, by the Ministry Petroleum and Mineral Resources, which was renamed as the Ministry of Energy, Industry and Mineral Resources in 2016 and subsequently renamed as the Ministry of Energy in 2019) in order to organise and regulate the Saudi electricity sector. As part of this initiative, the Kingdom was divided into five operating regions (the Western, Eastern, Central, Southern and Northern Regions). Within each of the Western, Eastern, Central and Southern Regions, the various private and semi-private electricity companies that had previously provided electricity were consolidated into four majority state-owned utilities known collectively as the Saudi Consolidated Electricity Companies (**SCECOs**). Within the Northern Region, the General Electricity Corporation (**GEC**) (which had previously operated certain plants within the Northern Region) was given responsibility for supervising the electricity companies operating within that region.

Subsequent reform of the electricity sector resulted in the formation of SEC, which was incorporated as a joint stock company pursuant to Royal Decree No. M/16 dated 06/09/1420H (corresponding to 13/12/1999G) pursuant to Council of Ministers' Resolution No. 153 dated 05/09/1420H (corresponding to 12/12/1999G), with its headquarters located in Riyadh. Following the formation of SEC, GEC was dissolved and the four SCECOs, GEC's projects and the various electricity companies in the Northern region operating under the supervision of GEC were merged into SEC and SEC assumed all of their operations, rights and liabilities.

SEC subsequently reduced the number of operating regions to four. As of the date of this Prospectus, these regions are the Western Region (consisting of five electricity departments covering Makkah, Jeddah Madinah, Tabuk and Taif), the Eastern Region (consisting of five electricity departments covering Dammam and Al Ahsa, the Northern province, the Al-Jouf province, Al-Hudood and the northern border), the Central Region (consisting of six electricity departments covering Riyadh city and the Riyadh, Qassim, Alkharj, Dawadme and Hail provinces) and the Southern Region (consisting of four electricity departments covering the Asir, Jizan, Najran and Baha provinces).

CAPITAL STRUCTURE

As at 30 June 2020, SEC had an authorised share capital of SAR 41,665,938,150 divided into 4,166,593,815 shares with a par value of SAR 10 each, all of which are fully paid. Its issued share capital is approximately 74.3 per cent. owned by the PIF, which is wholly owned by the Kingdom, and approximately 6.9 per cent. owned by Saudi Aramco, which is 98.2 per cent. owned by the Kingdom. The remaining 18.8 per cent. of SEC's shares are

held by the general public. As at the date of this Prospectus, no shareholder other than the PIF and Saudi Aramco holds more than 5.0 per cent. of SEC's share capital. Since SEC's incorporation its shares have been listed on the Saudi Stock Exchange.

RELATIONSHIP WITH THE GOVERNMENT

Government as the indirect majority shareholder

As at the date of this Prospectus, the Government currently owns, indirectly through the PIF and Saudi Aramco, approximately 81.1 per cent. of SEC's issued share capital. SEC's board of directors comprises nine members, of which five are representatives of the PIF, one is a representative of Saudi Aramco and the remaining three are representatives of the private sector. Board members are appointed for a term of up to three years. (see "*Management and Employees – Board of Directors and Secretary to the Board*").

The Government has agreed, pursuant to the Council of Ministers' Resolution No. 169 dated 11/08/1419H (corresponding to 30/11/1998G), to waive its share of distributed profits for a period of ten years from SEC's establishment, so long as the distributed profits do not exceed 10.0 per cent. of an SEC share's nominal value. In the cases where the distribution exceeds 10.0 per cent. of the shares' par value, the Government shall receive the same dividends as the other shareholders. Following a request by SEC for an extension to this period, the Council of Ministers issued Resolution No. 327 dated 24/09/1430H (corresponding to 14/09/2009G) approving the extension of the Government's waiver of its share of profits distributed by SEC for an additional period of ten years starting from 30/12/1430H (corresponding to 18/12/2009G), with such waiver having been further extended in respect of the PIF's shares in SEC for the 2019 financial year pursuant to a letter from the PIF dated 27/08/1441H (corresponding to 20/04/2020G).

Government as purchaser of electricity

In 2017, 2018 and 2019, the SEC Group sold a total of 32,446 GWh, 41,859 GWh and 40,337 GWh, respectively, of electricity to the Government and Government-related entities, and as a result, the Government is the SEC Group's single largest customer. Historically, the SEC Group has recorded significant Government receivables, principally representing amounts owed to the SEC Group by the Government in respect of electricity supplied to it.

Under the current tariff system for electricity that took effect on 1 January 2018, the Government and governmental users pay a flat rate of SAR 0.32/KWh and industrial, health and education users pay a flat rate of SAR 0.18/KWh. By way of comparison, the variable tariffs for residential users range between SAR 0.18/KWh and SAR 0.30/KWh, for agricultural and charitable users range between SAR 0.16/KWh and SAR 0.20/KWh and for commercial users range between SAR 0.20/KWh and SAR 0.30/KWh.

The Government has agreed to settle its account in line with ECRA's standard payment terms. The current basis for settling the Government's account with SEC was established by Resolution No. 227, which, among other things, required the Ministry of Finance to pay for the Government's annual consumption of electricity from the Government's general budget. As at 30 June 2020, the total amount of Government receivables was SAR 35,067 million (which includes receivables from governmental institutions and related parties (including Saudi Aramco and SWCC)).

Government as supplier of fuel

Saudi Aramco is the state-owned oil company of the Kingdom. Pursuant to Royal Decree No. M/96 dated 24/07/1415H (corresponding to 27/12/1994G), since 1994, Saudi Aramco is obliged to supply fuel to the SEC Group for its power generation business, at prices set by the Government (see "*Fuel Supply*"). The current price set by the Government for this fuel is below the relevant market price.

Additionally, since SEC's establishment in 2000, SEC has not paid for fuel supplied by Saudi Aramco. Following the Government's agreement to assume responsibility for these payments pursuant to the minutes of the Ministerial meetings dated 15/05/1427H (corresponding to 11/06/2006G) and 06/02/1433H (corresponding to 31/12/2011G) and the Council of Ministers' Resolution No. 277, all payables owed to Saudi Aramco in respect of the period from SEC's incorporation to 31 December 2018, in an amount of SAR 92,494 million, were transferred from "trade payables" to "Government payables".

Based on Resolution No. 227, SEC defers these payments to Saudi Aramco, resulting in significant payables balances between SEC and Saudi Aramco. At 30 June 2020, SEC had SAR 28,869 million of trade payables, 64.5

per cent. of which represented payments due to Saudi Aramco, primarily for the supply of fuel. SEC also defers payments to SWCC for electricity supplied by it based on Resolution No. 227. In addition, municipality fees have been waived in full pursuant to a Royal Decree.

Government as regulator

SEC is regulated by ECRA (see “– *Regulation – Regulatory authorities – Electricity and Co-generation Regulatory Authority*”). The Ministry of Energy is the governmental entity which sets out the policies, programmes and development plans that govern the electricity sector within the Kingdom.

The electricity tariffs, defined by the Electricity Law as the compensation in return for the provision of a good or service in relation to the generation, co-generation, transmission, distribution, supply, and trading of electricity, were unified across all regions within the Kingdom pursuant to the Council of Ministers’ Resolution No. 1020 dated 20/07/1394H (corresponding to 09/08/1974G). The electricity consumption tariff that is charged by SEC to end-users for electricity supplies was historically determined by the Council of Ministers. However, the Electricity Law provides that ECRA shall revise the tariff structure in consideration of certain requirements set out in the Electricity Law (including, among others, considering the Kingdom’s policies and instructions, providing consumers with true indicators of costs arising out of their consumption patterns, and not discriminating against consumers within a certain consumption category, nor against a consumption category as a whole).

Pursuant to the Electricity Law, the Council of Ministers issued Resolution No. 333 dated 16/10/1430H (corresponding to 06/10/2009G), granting ECRA the authority to amend and declare the values of electricity tariffs for non-residential consumption categories (commercial, industrial, and governmental). The tariffs set by ECRA may not exceed SAR 0.26/KWh without the approval of the Council of Ministers. The tariff in respect of residential customers is set directly by the Government pursuant to Council of Ministers’ Resolution No. 170 dated 12/07/1421H (corresponding to 09/10/2000G) (**CMR 170**). The Government also regulates the prices that Saudi Aramco is permitted to charge SEC for the fuel that it supplies to SEC, and these prices have historically remained at below market rates.

The SEC Group is subject to environmental laws and regulations within the Kingdom, which are regulated by the General Authority for Meteorology and Environmental Protection (formerly known as the Presidency of Meteorology and Environment and, before that, the Meteorology and Environmental Protection Administration) (the **GAMEP**). The GAMEP is the governmental entity responsible for the administration and policing of environmental affairs in the Kingdom. See “– *Regulation – Environmental Regulation*”. Pursuant to Council of Ministers’ Resolution No. 169 dated 11/08/1419H (corresponding to 30/11/1998G), as amended by CMR 170, the SEC Group is required to conduct its operations in line with environmental guidelines and standards set by the Government.

Government as grantor of land and rights of way

SEC rents land from the Government on which to construct generation plants and transmission and distribution lines for a nominal rent. The Government also grants rights of way to SEC for fixed assets, such as overhead and underground transmission lines.

Government financial and other support

As set out above, in addition to maintaining below market rates for SEC to obtain fuel from Saudi Aramco and allowing SEC to defer payments for this fuel to Saudi Aramco in addition to deferring payments for electricity supplied by SWCC and waiving municipality fees, the Government has also historically provided subsidised and interest-free loans, waived dividends and paid higher tariffs than commercial, industrial and residential customers.

The Government has, in the past provided, and is expected to continue in the future to provide, significant financial support to the SEC Group. By way of example, The Government has, as at 31 December 2019, made available to SEC three long-term interest-free loans in an aggregate amount of up to SAR 115.5 billion. In addition, a further SAR 14.9 billion in amounts due from SEC to the Government has been converted into an interest-free loan with a 25-year grace period and no fixed repayment term. The Government has also established the balancing account in favour of SEC, effective from the year ended 31 December 2019, to which the Government contribution as at 31 December 2019 was SAR 1.1 billion, as a means of addressing the difference between SEC’s operating revenue and SEC’s operating revenue requirements (based on a revenue cap mechanism) (see “*Description of the SEC Group’s Business – Strategy – Sustainability and Efficiency*”). See also “– *Business Strengths – Government support*”. There is no guarantee, however, that this significant level of Government support will continue, and

these arrangements are subject to change at any time (see “*Risk Factors – The SEC Group has benefitted from significant Government support, and any reduction or delay in the level of support provided to the SEC Group could significantly and adversely affect its business, results of operations and financial condition*”).

BUSINESS STRENGTHS

The SEC Group’s principal business strengths comprise:

- **The SEC Group is the monopoly supplier of electricity in the Kingdom**

The SEC Group owned, or was the sole off-taker under long-term power purchase agreements in respect of, all of the traded generation capacity in the Kingdom at 31 December 2019 other than certain capacity utilised principally for its own use by Saudi Aramco, Ma’aden, Marafiq and SADAF. The SEC Group has a regulated monopoly position in respect of both the transmission of electric power and the distribution of electricity to consumers in the Kingdom, and accordingly is required to provide electricity to all consumers in the Kingdom. Under the Electricity Law, all electricity providers in the Kingdom must hold a licence from the Government. Currently, the SEC Group holds the sole licence for the transmission and distribution of electricity in the Kingdom. The SEC Group is, therefore, the monopoly integrated market provider in the electricity sector in Saudi Arabia, and this, coupled with high barriers to entry, means that SEC expects to remain the primary supplier of electricity in the Kingdom for the foreseeable future and retain its monopoly position. See “*Description of the SEC Group’s Business—Restructuring of the SEC Group*” for related information.

- **Government support**

As at the date of this Prospectus, the Government, which indirectly owns 81.1 per cent. of SEC’s issued share capital (see “– *Capital structure*”), has historically been supportive in ensuring that the SEC Group can adequately meet the electricity demands of the Kingdom. Such support by the Government has included providing SEC with significant long-term interest-free loans, allowing higher tariffs for electricity supplied to governmental customers, the provision of subsidised fuel through Saudi Aramco, allowing deferred payment for this fuel in addition to power purchased from SWCC, waiving municipality fees and certain dividends, the assumption of responsibility for significant payables owed to Saudi Aramco and the establishment of the balancing account in favour of SEC to address the difference between SEC’s operating revenue and SEC’s operating revenue requirements (based on a revenue cap mechanism). SEC views these forms of Government support as critical elements of its competitive strength.

The Vision 2030 and NTP 2020 initiatives have further progressed the Government’s vision for the electricity industry, targeting an increase in production of renewable energy and the provision of a reliable and cost-efficient supply of electricity to end-users, in addition to enhancing the quality of service and coverage.

- **Supply of low cost fuel and deferred payment**

Fuel costs constitute a significant portion of SEC’s operating costs, comprising 12.9 per cent. of SEC’s cost of sales for the year ended 31 December 2019. The SEC Group has long-term supply arrangements with Saudi Aramco under which it obtains subsidised fuel. Pursuant to a royal decree, Saudi Aramco is obliged to supply fuel to SEC, and pursuant to a Council of Ministers resolution, SEC is permitted by the Government to defer payment for the fuel supplied to it by Saudi Aramco. These deferred fuel payments account for SEC’s increasing amounts of accounts payable owed to Saudi Aramco.

- **Role within the Saudi economy**

The SEC Group has a significant economic and policy role within the Saudi economy in terms of meeting the continuing increases in demand for electricity stemming from Government-sponsored industrialisation and population growth. According to the International Monetary Fund (the **IMF**) World Economic Outlook database for April 2018, the Kingdom’s population is projected to grow by 14.9 per cent. between 2016 to 2023, from 31.7 million to 36.5 million people. According to the Ministry of Economy and Planning in its Tenth Development Plan, consumption of electricity between 2010 and 2017 was estimated to have grown by 5.85 per cent. and was forecasted to grow at an average annual rate of 2.55 per cent. between 2018 and 2023. SEC believes that this population growth will lead to an increase in demand for electricity by residential users, in addition to an increase in industry and economic activity and, as a result, demand and consumption of electricity by non-residential end-users. SEC’s

position as the Kingdom's primary electricity provider positions it to capitalise on this growth in demand. SEC will also play a key role in the Government's Vision 2030 and NTP 2020 initiatives. See "*Description of SEC Group's Business – Industry Overview – The Government's Development Strategy*" for further discussion.

STRATEGY

SEC's strategy is focussed on implementing the Government's policy for the development of the electricity industry in the Kingdom, with the primary objective being the provision of a safe, reliable and cost-efficient supply of electricity to end-users. In addition, SEC's strategy includes significantly increasing the SEC Group's transmission and distribution business and enhancing its interconnectivity, both internationally and within the Kingdom. In line with the objectives of the Government's Vision 2030 and NTP 2020 initiatives, SEC is also focussing on research and development projects with a particular focus on the development of renewable energy projects.

Generation capacity

SEC is taking a number of steps to optimise the SEC Group's generation capacity to meet anticipated future demand, including expanding existing power plants and completing plants under construction. As part of its strategy to meet this anticipated demand, the SEC Group increased its actual generation capacity by 1,917 MW during 2017 (an increase of 3.5 per cent.). However, SEC decreased its actual generation capacity by 3,054 MW during 2018 (a decrease of 5.4 per cent.) and by 334 MW during 2019 (a decrease of 0.6 per cent.) as a result of a number of power plants being retired across this period. Additionally, as the independent power sector develops (see "*Restructuring of the SEC Group*"), SEC believes that it may, as a result, be able to scale back further capital expenditure on new power generation projects.

SEC has also developed its own IPP programme which is intended to encourage private sector investment in its power generation business. In the year ended 31 December 2019, SEC purchased 132,075 GWh of additional electricity from third-party suppliers, which constituted approximately 39.4 per cent. of total electricity generated and purchased during the year. For further information about the IPP programme, see "*Business Units – Electricity generation – IPPs and IWPPs*". As part of the IPP programme, SEC has identified the need to construct new power plants to complement its plans to increase total generation capacity in the Kingdom which can be constructed on an IPP basis. SEC's IPP programme initially envisaged the construction of four new power plants. The request for proposals (**RFP**) for the first independent power plant, comprising the Rabigh IPP in the Makkah Region and the Riyadh IPP (each of which commenced commercial production in 2013), the Qurayyah IPP in the Eastern Region (which commenced commercial production in 2016) and the Rabigh II IPP in the Makkah Region (which commenced commercial production in 2017). Additionally, SEC is participating with Saudi Aramco in a joint-venture to develop a dual-production electricity and steam plant in Al Fadhili in the Eastern Region (which is expected to be completed in 2020).

Improve Transmission Network

The SEC Group is planning to continue the extension of its transmission network in order to minimise congestion, interconnect isolated regions and connect new power plants to the grid.

In addition to expanding network capacity, the SEC Group is focusing on improving the reliability of the transmission network system, reducing the number of interruptions and benchmarking network performance to international standards. The SEC Group has taken (and continues to take) a number of measures to improve the reliability of its transmission network, including:

- carrying out periodic studies and analyses of the major transmission faults and identifying the causes and the possible remedies;
- performing routine maintenance of all transmission assets;
- implementing reinforcement projects and commissioning new transmission projects well in advance of periods where demand is at its peak;
- providing mobile reserve transformers in all strategic locations; and
- improving the performance efficiency of its transmission technicians through continuous training and education programmes.

During the medium-to long-term (covering a period of five to 25 years) the SEC Group also aims to improve the overall “capacity factors” (that is, the ratio of a power plant’s output over a period of time as compared to its output if it had operated at full capacity) of the generation business through further investment in the transmission network.

The SEC Group’s four operating regions for its transmission business are now almost fully interconnected (with interconnectivity of the transmission network within Saudi Arabia at approximately 99.0 per cent. as at 31 December 2019), although significant work remains in terms of increasing the capacity of certain of the major interconnection links and this is a significant focus of the SEC Group’s capital expenditure programme in the transmission business in order to enhance efficiency of operations in the future.

To improve the reliability of the Kingdom’s power supply, reduce costs and promote energy trading, SEC has also developed connections with transmission networks in the neighbouring GCC countries. The Gulf Cooperation Council Interconnection Authority (**GCCIA**), a joint stock company incorporated under the regulations of the Kingdom, was formed in 2001 by the member states of the GCC to interconnect the electricity transmission networks of the member states (see “– *Subsidiaries and other investments – Other investments – Gulf Cooperation Council Interconnection Authority*”). In addition to the GCC countries, SEC intends to develop interconnection projects with other countries in the MENA region. In particular, there are currently negotiations at a governmental level between the Kingdom and Egypt for such an interconnection project, with tenders having been invited and the related contracts expected to be signed in 2020.

The SEC Group expects to realise a number of economic and operational gains as a result of enhancing interconnectivity and increasing capacity factors, including:

- increasing the overall reserve capacity for the entire network;
- improved utilisation of the SEC Group’s power plants leading to a reduction in operating costs and capital expenditure costs; and
- enhancement of the reliability and security of the transmission network.

Sustainability and efficiency

SEC has been working with its stakeholders in the development of a sustainable electricity sector in the Kingdom and has taken a number of measures, including:

- the establishment of Saudi Company for Power Purchase, which is a new entity within the SEC Group that serves as the main purchaser of fuel;
- the establishment of a balancing account, effective from the year ended 31 December 2019, which is a regulatory reform intended to recognise the subsidies reflected in the electricity tariff structure in the Kingdom in a transparent and efficient manner. The purpose of the balancing account is to ensure the power sector’s sustainability and efficiency in alignment with Vision 2030 and to bring financial stability to the power sector. This is sought to be achieved by the balancing account addressing the difference between SEC’s operating revenue and SEC’s operating revenue requirements (based on a revenue cap mechanism); and
- the development of a smart grid.

Other areas of focus for SEC in ensuring the sustainability and efficiency of the electricity sector in the Kingdom include fuel efficiency, automated customer services and the management of its workforce.

See also “– *Renewable Energy*” below.

Diversification

As part of its attempts to diversify its business, SEC has established the following companies:

- Saudi Electricity for Projects Development Company, the principal activities of which are the management of construction projects, the making of detailed design work, the procurement of materials and executing projects in the energy sector; and
- Dawiyat Telecom Company, which is a wholly owned telecom subsidiary of SEC established in 2009 to lease fibre optic networks to telecommunications companies and which is responsible for the construction, rental, management and operation of the fibre optic networks owned by SEC.

See “– *Subsidiaries and Principal Investments*” below for further information.

INDUSTRY OVERVIEW

Overview

The Saudi electricity market is the largest in the Arab world, with a peak load estimated to be approximately 62,076 MW in 2019 for the Kingdom. Demand for electricity is expected to increase in the short to medium term as a result of increased Government-sponsored industrialisation and population growth (see “– *Government’s development strategy*” and “*Kingdom of Saudi Arabia – Population and demographics*”, respectively).

In the year ended 31 December 2019, the SEC Group generated 68.5 per cent. of the total amount of electricity which it sold to customers in the Kingdom. In the year ended 31 December 2019, the SEC Group accounted for 69.7 per cent. of the electricity generation capacity in the Kingdom. All of the generation capacity in the Kingdom in 2019, other than certain capacity utilised principally for its own use by Saudi Aramco, SWCC, IWPP (SWPC), Ma’aden, Marafiq and SADAF, was either owned by the SEC Group or was committed to SEC under long-term take or pay contracts. Transmission from the generation plants to the consumption areas is through high voltage overhead lines and underground lines that had a combined total length of 84,787 c.km as at 31 December 2019. At present, the SEC Group has a monopoly on transmission of electric power in the Kingdom. The SEC Group’s distribution network consisted of 321,345 c.km of overhead lines and 349,995 c.km of underground lines as at 31 December 2019, and the SEC Group also has a monopoly on electricity distribution to consumers in the Kingdom.

The total number of SEC Group’s electricity customers as at 31 December 2017, 31 December 2018 and 31 December 2019 was 9,049,712, 9,414,487 and 9,758,748, respectively, representing increases of 4.0 per cent. in 2018 and 3.7 per cent. in 2019, respectively. During the years 2000 to 2019, the number of customers of SEC Group increased by 169.4 per cent., from 3,622,391 to 9,758,748. The table below shows the distribution of SEC’s customers classified by consumption type as at 31 December 2019 along with the amount of consumption for the year ended 31 December 2019.

| Type | Number of subscribers | Consumption (GWh) | Per cent. of total consumption |
|------------------|------------------------------|--------------------------|---------------------------------------|
| Residential..... | 7,713,499 | 128,141 | 45.82% |
| Government | 157,192 | 40,337 | 14.42% |
| | | | |
| Commercial | 1,642,622 | 45,998 | 16.45% |
| | | | |
| Industrial | 11,819 | 49,436 | 17.68% |
| | | | |
| Other | 233,616 | 15,766 | 5.64% |
| | | | |
| Total | 9,758,748 | 279,678 | 100.0% |

In 2017, 2018 and 2019, the SEC Group sold a total of 288,656 GWh, 289,929 GWh and 279,678 GWh of electricity, respectively, representing an increase of 0.4 per cent. in 2018 and a decrease of 3.5 per cent. in 2019. Electricity sales during the years 2000 to 2019 increased by 145.0 per cent. from 114,161 GWh in 2000 to 279,678 GWh in 2019, while the non-coincident peak demand increased by 186.4 per cent. from 21,673 GW in 2000 to 62,076 GW in 2019.

The table below shows the electricity generated by the SEC Group, the electricity imported by the SEC Group from other producers and the total quantity of electricity sold by the SEC Group during each of 2017, 2018 and 2019.

| | 2017 | 2018 | 2019 |
|---|-------------|-------------|-------------|
| | | (GWh) | |
| Electricity generated at SEC Group plants ⁽¹⁾ | 204,558 | 191,310 | 191,597 |
| Power purchased from third party producers ⁽²⁾ | 128,265 | 137,649 | 132,075 |
| Total Energy sold ⁽³⁾ | 288,656 | 289,929 | 279,678 |
| Total Energy transmitted to networks | 354,488 | 349,594 | 335,445 |

Note:

- (1) Electricity generated at SEC in 2019 does not include electricity generated from isolated distribution plants.
- (2) Third party producers include IPPs, IWPPs, large producers, rented diesel engines and GCCIA.
- (3) The total energy sold for the year 2018 after excluding one-off adjustments related to consumption in previous years was 282.1 GWh.

The Government's development strategy

In 2016, the Kingdom released a strategic development programme (**Vision 2030**) aimed at reducing the Kingdom's dependence on oil and reinforcing economic and investment activities. As part of this programme, the National Transformation Program (**NTP 2020**) sets out goals and targets to be achieved by 2020 (see "*Kingdom of Saudi Arabia – Vision 2030*" and "*Kingdom of Saudi Arabia – National Transformation Programme 2020*" for further detail). As part of Vision 2030, the Kingdom launched a national renewable energy programme targeting the production of 9.5GW through renewable energy sources by 2023. NTP 2020 sets out a target for the same of 3.45GW by 2020. SEC's strategy is focussed on implementing the Government's policy for the development of the electricity industry in the Kingdom and responding to the NTP 2020's objective of providing a reliable and cost-efficient supply of electricity to end-users, in addition to enhancing the quality of its service and coverage. SEC's strategy for implementation of Vision 2030 and NTP 2020 includes the following:

- Commitment to the Kingdom: SEC is one of the largest employers in the Kingdom with almost 34,000 employees of whom more than 92.5 per cent. are Saudi nationals;
- Research and Development: SEC maintained 45 research and development projects in 2019;
- Procurement policies: 63 per cent. of the materials used by SEC are sourced from the local market;
- Energy efficiency improvement: SEC is targeting achieving more than 40 per cent. thermal energy efficiency by 2020;
- Customer centric approach: 95 per cent. of SEC's customer services are available online; and
- Environmental achievements: SEC is 80 per cent. compliant with the requirements of the General Authority for Meteorology and Environment Protection.

BUSINESS UNITS

The SEC Group's business is organised into three main business units: electricity generation, transmission and distribution. These units are supported by finance, services and contracts, human resources, communication and public relations, information technology & digital transformation, strategic planning & business development, legal affairs and internal auditing.

Electricity generation

Total generation capacity

As at 31 December 2019, the SEC Group had 40 power plants (of which 10 are considered key plants) with an actual generation capacity of 53,200 MW.

These plants are powered by a mix of gas, crude oil, diesel and heavy fuel oil. SEC prefers the use of natural gas for its generation plants since it is the most environmentally friendly and efficient and causes less damage to plants and equipment relative to its other fossil fuel counterparts, although these generation plants can generally operate on other fuels and fuel oil. The fuel that is ultimately used is largely dependent on the types of fuel that Saudi Aramco is able to supply to that location.

The SEC Group employs steam turbine, diesel engine and gas turbine (both "single cycle" and "combined cycle") technology in its power plants to generate electricity. Steam turbines and gas turbines account for the majority of the SEC Group's generation capacity, with steam turbines having a total generation capacity of 22,382 MW as at 31 December 2019 (accounting for approximately 42.0 per cent. of the SEC Group's total generation capacity) and gas turbines having a total generation capacity of approximately 16,604 MW as at 31 December 2019 (accounting for approximately 31.2 per cent. of SEC's total generation capacity). The remaining power generation

capacity is made up of combined cycle generators with a total generation capacity of approximately 14,056 MW (accounting for approximately 26.4 per cent. of the SEC Group's total generation capacity), diesel generators with an actual generation capacity of approximately 154 MW (accounting for approximately 0.6 per cent. of the SEC Group's total generation capacity) and renewable energy with a total generation capacity of approximately 3 MW, in each case as at 31 December 2019. The share of power supplied by different power plants varies from year to year depending upon maintenance schedules and load profiles arising out of customer demand.

Gas and steam turbines generate electricity through different processes. Gas turbines compress the atmospheric air to a high pressure, with the resulting hot compressed air flowing into the combustion chamber into which natural gas or fuel oil is fired. The high-pressure hot gases from the combustion chamber expand through the gas turbine consisting of various stages of fixed and rotating blades converting thermal energy to mechanical energy to drive the gas turbine. The hot gases drive the gas turbine, which in turn drive the generator coupled to the turbines, thereby generating electricity. In the combined cycle power plants, the heat waste product from the exhaust of the gas turbines can be utilised by passing it through a heat recovery steam generator to produce steam. This steam is then expanded through a steam turbine consisting of several stages of both fixed and rotating blades converting thermal energy to mechanical energy to drive the steam turbine. The steam turbine drives the electrical generator attached to it, thereby generating electricity.

In the conventional steam turbines, thermal power is generated by firing natural gas or fuel oil into steam generators in order to generate high-pressure, high-temperature steam. This steam is then expanded through a steam turbine consisting of several stages of both fixed and rotating blades which converts thermal energy to mechanical energy to drive the steam turbine. The steam turbine drives the electrical generator coupled to it, thereby generating electricity. Part of the steam produced by the steam turbines can also be extracted and used in the desalination process.

The decision to use a particular technology depends on a range of factors, principally the location of the plant and the type of fuel available from Saudi Aramco. Typically, plants that are inland, where gas supplies are available, use gas turbines, and coastal plants use steam turbines, since they are able to capitalise on the abundant supply of sea water as a condenser to increase the efficiency of the steam turbines, which use steam from boilers fired by heavy crude oil or fuel oil.

Generation capacity

The SEC Group's total generation capacity has increased from 22,060 MW as at 31 December 2000 to 53,200 MW as at 31 December 2019 (an increase of 140.7 per cent.). This growth in generation capacity has been achieved through the expansion of existing power plants, construction of new power plants and in making improvements to the operational performance of existing power plants. Additional capacity added and planned to be added by SEC and the IPPs and IWPPs, for which SEC is the sole off-taker of the power generated, is expected to be sufficient to meet the peak demand increases for the current year and to satisfy its immediate reserve requirements.

The SEC Group's generation capacity in the Eastern and Western Regions, when combined with the generation capacity provided by SWCC, in effect gives an overall positive capacity margin in both of these regions. The positive capacity margin in these regions also permits power to be transferred from them to other regions whenever it is economical to do so (the transfer of power in this manner is also called "economic energy interchange"). At present, the principal economic energy interchanges are between the Eastern and Central Regions as the interconnection lines between these two operating regions have the greatest capacity. Although the other regions are all interconnected, the number and capacity of the interconnection lines varies and increasing the number and capacity of these interconnections as well as connecting currently isolated areas within regions is a major goal of the SEC Group's capital expenditure programme in the transmission business.

Based on the additional generation capacity that SEC has installed since 2010 and which it intends to install in future years (see "*– Strategy – Generation Capacity*") and the additional electricity that SEC is able to purchase from SWCC, SEC believes that there will be sufficient generation capacity to meet peak demand in the Kingdom during the next three to four years. Overall, the total generation capacity (including SWCC's capacity and other sources) in the Kingdom was estimated to be approximately 76,376 MW at the end of 2019, and the overall peak load in the Kingdom was estimated to be approximately 62,076 MW at the end of 2019.

The table below contains a breakdown by region of the SEC Group’s actual generation capacity as at 31 December 2019.

| Province | Actual capacity (MW) | Generation Units | % of total capacity |
|-----------------|-----------------------------|-------------------------|----------------------------|
| Eastern | 13,951 | 98 | 26% |
| Western | 20,089 | 165 | 38% |
| Central | 13,785 | 206 | 26% |
| Southern | 5,375 | 83 | 10% |
| Total | 53,200⁽¹⁾ | 552 | 100% |

Note:

(1) SEC actual capacity includes isolated distribution plants, wind power generation and the Farasan solar plant (95.5 MW).

Peak demand

Driven by a combination of population and economic growth, the non-coincident peak demand for electricity in the Kingdom has grown from 21,673 MW in 2000 to 62,076 MW in 2019, representing an average annual growth of 5.69 per cent. during this period. Peak load typically builds up during the summer months (May to September) because of increased usage of air conditioners and is also significantly influenced by the timing of Ramadan and the school exam period. For example, the average monthly non-coincident peak demand from May to September 2019 was approximately 59911 MW as compared to an average monthly non-coincident peak demand of approximately 45593 MW from October to December 2019. During the summer months of May to September 2019 which is typically when electricity use is at its highest in the Kingdom, SEC achieved “capacity margin” (that is, a margin of generation capacity above national peak demand) of between 21.7 and 33.5 per cent. This capacity margin takes into account the installed capacity both of the SEC Group and other generators in the Kingdom, including the IPPs and IWPPs. SEC intends to decrease this margin to 12 per cent. in the medium term and this is a major goal of its capital expenditure programme within the generation sector (see “– Strategy – Increase generation capacity”).

The relatively large geographic size of the Kingdom means that peak demand levels of each region do not usually coincide (because of factors such as different sunrise and sunset times across the various regions of the Kingdom) and national peak demand therefore tends to be lower than the sum of peak demand levels in each region. This means that the effective capacity margin for each region may actually prove to be lower than the capacity margin calculated above the national peak demand. In light of the fact that the effective capacity margin for each region tends to be lower than the “national” capacity margin, some regions of the Kingdom have experienced power outages in recent years and the elimination of these outages is another major goal of the capital expenditure programme within the generation sector.

At times of peak demand, SEC has needed to purchase additional electricity from SWCC and other sources (including, Saudi Aramco) to meet demand. In the year ended 31 December 2019, SEC purchased 132,075 GWh of additional electricity from other third-party suppliers which constituted 39.4 per cent. of total electricity generated and purchased during the year.

SEC purchases electricity from SWCC at a price determined by tariffs set by a Council of Ministers’ resolution. Under the current tariffs in force, the SEC Group pays SWCC 3.7 Halalah/KWh for energy, such that the average combined price payable for demand charges and energy does not exceed 3.8 Halalah/KWh. The Council of Ministers has the power to change these tariffs.

Generation power plants

The table below sets out SEC's ten most significant power plants, in terms of generation capacity, all of which are fully owned by SEC, and their actual generation capacity percentage as at 31 December 2019.

| <u>Generation power plant</u> | <u>Generation capacity (MWh)</u> | <u>% of generation capacity</u> |
|-------------------------------|----------------------------------|---------------------------------|
| Shoaibah | 5,538 | 10.50% |
| Ghazlan | 4,424 | 8.30% |
| Rabigh | 4,141 | 7.80% |
| Qurayyah CC | 4,026 | 7.60% |
| PP 9 | 3,572 | 6.70% |
| PP 10 | 3,433 | 6.50% |
| Jeddah South | 2,892 | 5.50% |
| Shuqaiq | 2,882 | 5.40% |
| Rabigh II | 2,680 | 5.10% |
| Qurayyah -Steam | 2,500 | 4.70% |

Depreciation

Depreciation is calculated from the date the item of property, plant and equipment is available for their intended use or in respect of self-constructed assets from the date such assets are completed and ready for the intended use. Depreciation on assets is calculated on a straight-line basis over the useful life of the asset.

With appropriate maintenance, power plants that have been fully depreciated may continue to be fully operational beyond the end of their anticipated useful life.

As at 31 December 2019, the SEC Group's power plants had a total generation capacity of 53,200 MW of which 44,145 MW (83 per cent.) related to power plants with an age of 20 years or less.

The table below gives a breakdown of the SEC Group's power plants by age as at 31 December 2019.

| <u>Age of power plant</u> | <u>Capacity</u> |
|--|-----------------------------|
| | (MW) |
| 0 to 5 years | 1,337 |
| More than 5 years up to 10 years..... | 8,642 |
| More than 10 years up to 20 years..... | 34,166 |
| More than 20 years up to 25 years..... | 7,769 |
| More than 25 years up to 30 years..... | 1,190 |
| Total..... | 53,104⁽¹⁾ |

Notes:

(1) This figure does not include generation capacity of 95.5 MW of distribution isolated units and wind energy

Electricity generated and generation capacity factors

In 2017, the SEC Group generated a total of 204,558 GWh, which it supplemented by a further 128,265 GWh purchased from third party producers. In 2018, the SEC Group generated a total of 191,310 GWh, which it supplemented by a further 137,649 GWh purchased from third party producers. In 2019, the SEC Group generated a total of 191,597 GWh, which it supplemented by a further 132,075 GWh purchased from third party producers.

Historically throughout the last three years, the SEC Group's power plants have operated at an average capacity factor of approximately 35.0 per cent. This is due to both an increase in energy contributions from other electricity providers, and seasonality of demand, which impacts the annual capacity figures. Technically, the SEC Group's most modern plants are capable of running at capacity factors of around 80.0 to 85.0 per cent. of generation capacity. In the medium- to longer-term (covering a period of 15 to 20 years), SEC believes that it should be possible to increase the average capacity factor by reinforcing the electricity transmission grid to allow for more economic and efficient utilisation of plants. SEC also anticipates that changes will be made to the electricity tariff structure in the Kingdom to encourage off-peak electricity usage, which should limit growth in peak demand, see “– Regulation – Tariffs” and “– Distribution”.

IPPs and IWPPs

As a general policy objective, the Government has indicated that it intends to promote greater competition in the electricity industry by facilitating the establishment of IPPs and IWPPs.

The SEC Group currently contributes a portion of the initial equity investment to each IPP and IWPP in the range of 5 to 50 per cent., with the balance funded by local or international investors. The SEC Group enters into long-term power purchase agreements (either directly or through the operation of SWPC) with the IPP or IWPP as sole off-taker of the electricity that is produced.

Furthermore, to facilitate investment by the private sector in power generation and energy trading, SEC established SWPC, a 50 per cent. owned joint venture with SWCC, the governmental entity in charge of operating the publicly owned desalination plants in the Kingdom, see “- *Subsidiaries and principal investments – Other investments*”. Pursuant to Council of Ministers’ Resolution No. 494 dated 05/08/1438H (corresponding to 01/05/2017G), SEC transferred its entire 50 per cent. ownership of the Saudi Water Partnership Company to the Government. SEC has entered into a long-term purchase agreement with SWPC through whom it purchases the power output and capacity from the Shoaibah and Shuqaiq IWPPs. SEC has also entered into a long-term on-sale agreement for the purchase of the power output and capacity from the Al-Jubail IWPP. SEC is obliged only to purchase all power produced by the IWPPs (through SWPC in the case of the Shoaibah and Shuqaiq IWPPs and through Tawreed in the case of MARAFIQ IWPP).

As part of its commitment towards the development and operations of IPPs in Saudi Arabia, SEC has participated in the establishment of four IPPs, with a total capacity of 8,920 MW. It is currently participating in the establishment of a fifth IPP, Fadhili IPP, with a total expected capacity of 1,507 MW. While the Rabigh IPP, Riyadh IPP, Qurayyah IPP and Rabigh II IPP are already operational, Fadhili IPP is still under construction. SEC has entered into a long-term power purchase agreement with each of the Rabigh, Riyadh, Qurayyah, Rabigh II and Fadhili IPPs to purchase the power output and capacity from each of these IPPs. Further, Saudi Company for Power Purchase, a subsidiary of SEC (see “- *Subsidiaries and Principal Investments*”, has signed a power purchase agreement with Sakaka Solar Energy Company, representing a total capacity of 300MW. The Sakaka project is expected to commence commercial operations in 2020 and Dumat Al Jandal is expected to start commercial operations in 2022.

The table below summarises the IPPs and IWPPs currently in operation or under construction in Saudi Arabia and the SEC Group’s interest in them.

| Type | Name | Power capacity | Status | SEC ownership interest (as at 30 June 2020) | Power purchase agreement |
|--------------|---|-----------------------|---------------|--|---------------------------------|
| IWPPs | Jubail Water and Power Company (Al-Jubail) | 2,744 MW | Operational | 5 per cent. | 20 years, through TAWREED |
| | Shuqaiq Water and Electricity Company (Shuqaiq) | 850 MW | Operational | 8 per cent. | 20 years, through SWPC |
| | Shuaibah Water and Electricity Company (Shuaibah) | 900 MW | Operational | 8 per cent. | 20 years through SWPC |
| IPPs | Rabigh Electricity Company (Rabigh) | 1,204 MW | Operational | 20 per cent. | 20 years |
| | Dhuruma Electricity Company (Riyadh) | 1,729 MW | Operational | 50 per cent. | 20 years |

| | | | | |
|---|----------|--|--------------|----------|
| Hajr for Electricity Production Company (Qurayyah) | 3,927 MW | Operational | 50 per cent. | 20 years |
| Al Mourjan for Electricity Production Co. (Rabigh II) | 2,060 MW | Operational | 50 per cent. | 20 years |
| Fadhili Plant Cogeneration Company (Fadhili) | 1,507 MW | Under construction (completion expected in 2020) | 30 per cent. | 20 years |

Transmission

All electricity produced by the SEC Group is transmitted in the Kingdom through the SEC Group's high-tension high voltage transmission grid, which is owned and operated by National Grid, see “– Restructuring of the SEC Group”. Electricity is carried through a network of overhead transmission lines connected to substations set up in regions across the Kingdom. Electricity is then distributed to customers within those regions through SEC's distribution network. To provide transmission coverage to relatively widely scattered areas throughout the Kingdom, the SEC Group has expanded its transmission network from approximately 36,652 c.km of power lines at the end of 2006 to 84,787 c.km as at 31 December 2019. The transmission network comprises both underground and overhead cables rated from 110kV to 380kV. The transmission network consisted of 76,479 c.km of overhead lines and 8,199 c.km of underground lines as at 31 December 2019.

The table below shows the classification of the SEC Group's transmission lines and the related number of substations and transformers as at 31 December 2018 and 31 December 2019.

| Voltage of transmission lines | No. of sub-stations | | No. of transformers | | Capacity (MVA) | | Amount of transmission lines (c.km) | |
|-------------------------------|---------------------|---------------------|---------------------|---------------------|----------------|----------------|-------------------------------------|-------------------------------------|
| | No. of sub-stations | No. of sub-stations | No. of transformers | No. of transformers | Capacity (MVA) | Capacity (MVA) | Amount of transmission lines (c.km) | Amount of transmission lines (c.km) |
| As at 31 December | | | | | | | | |
| | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 |
| 380kv..... | 176 | 180 | 476 | 497 | 218,613 | 229,389 | 37,697 | 37,958 |
| 230kv..... | 37 | 37 | 101 | 102 | 22,298 | 22,698 | 4,220 | 4,227 |
| 132kv..... | 452 | 476 | 1,307 | 1,395 | 90,788 | 97,647 | 25,501 | 25,951 |
| 115kv..... | 148 | 159 | 426 | 470 | 23,171 | 26,289 | 7,201 | 7,651 |
| 110kv..... | 257 | 269 | 910 | 951 | 52,371 | 55,106 | 8,753 | 8,891 |
| Total..... | 1,070 | 1,121 | 3,220 | 3,415 | 407,240 | 431,129 | 83,372 | 84,677 |

In 2019, SEC added a total of 2,016 c.km of extra high voltage transmission lines and 3,601 c.km of high voltage transmission lines to reinforce the transmission network, while decommissioning 2,318 c.km of extra-high voltage and 3,099 c.km of high voltage transmission lines. To enable the transmission network to cope with higher peak loads, SEC plans to expand the network coverage, add extra high voltage lines and improve network reliability (see “–Strategy – Improve Transmission Network”). Overall transmission capacity increased between 2014 and 2015 and, installation of additional capacity in the extra high voltage lines is intended to increase the efficiency of the SEC Group's transmission network and lower the transmission loss rate. Network losses (including SEC's own consumption), as a percentage of the load, amounted to 9.3 per cent. in 2019, 9.5 per cent. in 2018 and 9.9 per cent. in 2017. The Kingdom's four operating regions are almost fully interconnected through the transmission

network, reflecting the historic development of the country's power industry on separate regional lines. As at 31 December 2019, interconnectivity of the transmission network was approximately 99 per cent. with the major grids in all four regions connected.

SEC currently is not able to measure the amount of its own consumption, although a project is underway to enable this. The SEC Group is also installing capacitors with a view to reducing transmission losses (excluding own consumption) across the system to average international levels.

Distribution

The SEC Group's distribution business is responsible for the medium and low voltage power lines that connect high voltage transmission sub-stations to local sub-stations and the low voltage lines that provide electricity from local sub-stations to end-users. The distribution business is also responsible for metering, billing, collection of payments and electrical service connections in respect of electricity supplied to end-users. SEC plans to establish a wholly owned distribution company to operate its distribution business, see "*– Restructuring of the SEC Group*".

The SEC Group has embarked upon the large-scale roll out of approximately 10 million smart meters across the Kingdom in an effort to increase the reliability of distribution networks, achieve the highest accuracy in monitoring consumption, improve service quality, enhance customer satisfaction and optimize the use of natural and financial resources. The 10 million smart meters are expected to make a significant contribution to the optimal usage of energy in the Kingdom, as well as improving networks in terms of demand-size management and overall access to electricity. The target milestones for the smart meter roll out which started in January 2020 is for 50 per cent. implementation by 30 September 2020, 80 per cent. implementation by 31 December 2020 and 100 per cent. implementation by 31 March 2021.

SEC currently bills its larger industrial customers using tariffs that reflect the time of use of the electricity consumed, see "*– Tariffs*". Since 1 January 2014, SEC is permitted by ECRA to bill its larger commercial customers based on their time of use of electricity, with peak electricity charges being higher than the off peak charges. The installation of digital meters is a precondition to this change and SEC is currently working on the installation of digital meters.

To facilitate bill payment, SEC also offers online, mobile and SMS services that allow customers to pay their bills online and monitor their consumption. SEC's billing system technology is a sales and information system that supports utility business function such as meter reading, meter data management, scheduling, billing, invoicing, accounting, customer service and integration to customer relations management. See "*Description of the SEC Group's Business – Information Technology*".

Improvements

During the five years ended 31 December 2019, the SEC Group has expanded and maintained a reliable distribution network and delivered power supply to an average of 431,294 new customers annually. To improve the quality of energy supply and meet the requirements of its customers, the SEC Group added a total of 23,055 c.km of power lines to its distribution network during the course of 2019 and 32,977 c.km of power lines to its distribution network during the course of 2018. This increased the total circuit lengths of its distribution power lines to 671,339 c.km as at 31 December 2019. As at 31 December 2018 and 31 December 2019, the SEC Group's distribution network comprised a total of 336,690 c.km and 347,097 c.km, respectively, of medium-to-low voltage power lines (13.8kv-69kv), an increase of 3.1 per cent. in 2019 and 4.8 per cent. in 2018, respectively. As at 31 December 2018 and 31 December 2019, the total length of SEC's low voltage lines (127v-400v) was 311,594 c.km and 324,242 c.km, respectively, an increase of 6.0 per cent. in 2018 and 4.1 per cent. in 2019, respectively. The SEC Group also installed 16,390 distribution transformers with a total capacity of 8,650 MVA into its distribution networks during 2019. Over the period 2000 to 2019, the average annual growth in the number of transformers was 5.9 per cent. and transformer capacity reached 277,340 MVA at 31 December 2019 compared to 268,690 MVA at 31 December 2018.

The focus of the investment in improving the network is the installation of digital meters, the development of a smart grid, with a number of successful pilot projects having already been completed and replacement of older equipment, such as transformers and cables, to improve the efficiency of the network.

Connection charge

In addition to the capacity tariff charged to customers (see “–Tariffs”), SEC also charges customers an initial connection fee, which is based on the capacity of the electricity meter. This ranges from SAR 60 per KVA (for a meter with a capacity range of more than 1 KVA up to 30 KVA) to SAR 175 per KVA (for a meter with a capacity range of more than 120 KVA up to 152 KVA).

Customers

At 31 December 2017, 31 December 2018 and 31 December 2019, the SEC Group supplied electricity to 9,049,712 customers, 9,414,487 customers and 9,758,748 customers, respectively, representing a 4.0 per cent. increase in customer numbers during 2018 and a 3.7 per cent. increase in customer numbers during 2019.

SEC Group divides its customers into seven main categories: residential; commercial; industrial; governmental; agricultural; health and education; and desalination. The table below shows the number of customers across the customer segments for each of 2017, 2018 and 2019.

| | Year ended 31 December | | | | |
|------------------|------------------------|------------------|-------------|------------------|-------------|
| | 2017 | 2018 | | 2019 | |
| | | | (% change) | | (% change) |
| Residential | 7,089,016 | 7,406,351 | 4.5 | 7,713,499 | 4.1 |
| Commercial | 1,575,974 | 1,615,015 | 2.5 | 1,642,622 | 1.7 |
| Government | 153,541 | 155,392 | 1.2 | 157,192 | 1.2 |
| Industrial | 10,645 | 11,325 | 6.4 | 11,819 | 4.4 |
| Other categories | 220,536 | 226,404 | 2.7 | 233,616 | 3.2 |
| Total | 9,049,712 | 9,414,487 | 4.0% | 9,758,748 | 3.7% |

The quantity of electricity sold by SEC Group in 2017, 2018 and 2019 was 288,656 GWh, 289,929GWh and 279,678 GWh, respectively, representing an increase of 0.4 per cent. in 2018 and a decrease of 3.5 per cent. in 2019 and an average annual growth of 5.4 per cent. over the period from 31 December 2000 to 31 December 2019. The table below shows the distribution of electricity sales across the customer segments for each of 2017, 2018 and 2019.

| | Year ended 31 December | | | | |
|------------------|------------------------|---------|------------|---------|------------|
| | 2017 | 2018 | | 2019 | |
| | GWh | GWh | (% change) | GWh | (% change) |
| Residential | 143,055 | 129,984 | (9.1) | 128,141 | (1.4) |
| Commercial | 48,252 | 46,231 | (4.1) | 45,998 | (0.5) |
| Governmental | 32,446 | 41,859 | 29.0 | 40,337 | (3.6) |
| Industrial | 47,230 | 51,148 | 8.3 | 49,436 | (3.3) |
| Other categories | 17,673 | 20,707 | 17.2 | 15,766 | (23.9) |

| | | | | | |
|--------------|----------------|----------------|------------|----------------|--------------|
| Total | 288,656 | 289,929 | 0.4 | 279,678 | (3.5) |
|--------------|----------------|----------------|------------|----------------|--------------|

Most of SEC's residential customers are located in the Central and Western Regions, which together accounted for approximately 68 per cent. of all electricity sales made by SEC to residential customers in 2019. The bulk of SEC's industrial customers are located in the Eastern Region, which accounted for approximately 72 per cent. of all electricity sales to SEC's industrial customers in 2019.

RESTRUCTURING OF THE SEC GROUP

The SEC Group's businesses have historically been organised into three business units: electricity generation, transmission and distribution. As part of the Government's initiative to promote greater competition in the electricity industry, SEC's business units are in the process of being reorganised into wholly owned subsidiaries of SEC, with the transmission business transferred into a separate wholly owned subsidiary, National Grid, with effect from 1 January 2012. National Grid was established as an independent system operator within the SEC Group to oversee the development plan for the electricity system.

Following completion of the restructuring, SEC will act as the holding company for the SEC Group and may also provide certain shared services to the new subsidiaries (such as security, financing, information technology (IT), human resources and procurement). SEC also expects to be responsible for determining the SEC Group's overall strategy. At present, SEC is coordinating with the Government to facilitate the restructuring and to conduct a review of its plans and prepare a comprehensive study of the electricity sector, including SEC's vision for the future of the sector and the options for promoting competition and increasing efficiency.

Saudi Company for Power Purchase has been established as a new entity within the SEC Group to serve as the main purchaser of fuel. Saudi Company for Power Purchase is wholly owned by, and its board of directors are appointed by, SEC. It is currently expected that SEC will continue to receive the revenues from customers in respect of the electricity provided by the SEC Group. Due to the large number of assets involved, the restructuring is expected to take a number of years to complete. SEC does not anticipate that the restructuring of the SEC Group will have a materially adverse effect on the SEC Group's business or profitability.

Generation

On 25 April 2016 the cabinet of the Council of Ministers approved Saudi Arabia's Vision 2030 (**Vision 2030**) as a roadmap for economic and developmental action in the Kingdom. In order to build the institutional capacity and capabilities needed to achieve the goals of Vision 2030, NTP 2020 has been launched across 24 government bodies operating in the economic and development sectors setting out strategic objectives linked to interim targets for the year 2020. In the case of the electricity sector, the stated strategic objective is "institutional development and privatisation of the electricity sector to optimise financial efficiency". The stated key performance indicator in relation to the achievement of this objective is for 100.0 per cent. of power plant electricity generation to be undertaken through strategic partners by 2020.

As at 31 December 2019, the SEC Group had a total actual electricity generation capacity of 53,200 MW and owned and operated 40 power plants (of which 10 are considered key plants) throughout the Kingdom, employing largely gas turbines (both single and combined cycle) and steam turbines, with the remaining capacity comprising combined cycle generators and diesel generators.

As part of the restructuring process involved in achieving the strategic privatisation objective of the NTP 2020 for power plant electricity generation, SEC's General Assembly approved the establishment of the Saudi Company for Power Generation, and the establishment process for the company is currently underway. Any privatisation of the Saudi Company for Power Generation will depend upon the restructuring vision of the Government and sufficient progress in respect of energy sustainability in the Kingdom.

It is intended that the Saudi Company for Power Generation will assume ownership of, and responsibility for maintaining, the SEC Group's portfolio of generation assets, although no assets have been transferred to the Saudi Company for Power Generation as of the date of this Prospectus. It is expected that the Saudi Company for Power Generation will sell all power generated to SEC's subsidiary, Saudi Company for Power Purchase. The intention is for the Saudi Company for Power Generation to be incentivised to operate as efficiently as possible, with performance being measured against a series of key performance indicators.

SEC believes that the creation of the separate Saudi Company for Power Generation which is incentivised to operate efficiently should ensure significant improvements in its current generation business. SEC expects to

continue to have a role in strategic decisions relating to the construction of new generation plants and renovation or upgrading projects in relation to existing generation plants.

Transmission

As at 31 December 2019, the SEC Group’s electricity transmission network comprised approximately 84,787 c.km of overhead and underground cable and covered all four operating regions of the Kingdom (see “– *History*” for a description of the four current operating regions). The capital of SEC’s transmission business was formally transferred to National Grid with effect from 1 January 2012 by way of a transfer of assets from SEC.

Since that date, National Grid has leased its transmission network to SEC. The lease agreement incentivises National Grid to operate efficiently by setting out a range of performance-related and financial key performance indicators against which its performance is measured.

National Grid also has the capacity to generate external revenues through other ancillary services. National Grid has assumed responsibility for the construction of new high voltage transmission lines (being those between 110 KV and 230 KV) but SEC has retained responsibility for the construction of strategic extra high voltage lines (being those greater than 230 KV).

Distribution

The SEC Group supplies electricity through the medium- and low-voltage power lines that connect its high voltage transmission sub-stations to local sub-stations and, ultimately, to its customers. SEC has seven principal customer categories: residential, commercial, industrial, governmental, agricultural, health and education and desalination. The distribution business also deals with customer services, including metering, billing, payment collection and electrical service connections for electricity supplied to its customers.

SEC is currently working with all stakeholders in the development of a sustainable electricity sector in the Kingdom which incorporates the vision of the government for the power sector to increase competition and efficiency.

FUEL SUPPLY

All fuel (natural gas, diesel, light crude oil and heavy fuel oil) for the SEC Group’s generation business is supplied under long-term arrangements with Saudi Aramco, who are obliged to supply fuel to the SEC Group for its power generation business, at prices set by the Government (see “– *Relationship with the Government – Government as supplier of fuel*”). Saudi Aramco makes arrangements for delivery of fuel and delivers the fuel using tankers or, in some cases, direct pipelines to the plants.

Saudi Aramco currently supplies fuel to the SEC Group at the following prices, which are set by the Government:

| Type of fuel | Price |
|-----------------|----------------------|
| Natural gas | U.S.\$1.25 per MMBtu |
| Light crude oil | SAR 0.15 per litre |
| Diesel | SAR 0.36 per litre |
| Heavy fuel oil | SAR 0.09 per litre |
| Arabian heavy | SAR 0.10 per litre |

TARIFFS

Tariffs for non-residential consumption categories are set by ECRA (subject to a limit of SAR 0.26/KWh without the approval of the Council of Ministers) and tariffs in respect of residential customers are set directly by the Government (see “– *Relationship with the Government – Government as regulator*”). Depending upon the

relevant sector, tariffs are either based on a set price per KWh or, alternatively, are based on a tiered billing system whereby the price per KWh increases incrementally based on the volume of electricity consumed.

ECRA announced in December 2017 that, in accordance with the Council of Ministers' Resolution No. 166 dated 24/3/1439H (corresponding to 12/12/2017G), revised energy prices in the Kingdom would take effect on 1 January 2018. The table below sets out the current applicable tariffs.

| Consumption range (Kwh) | Sector | | | | | |
|-------------------------|--------------------------|-------------|------------|-------------------------|------------|--|
| | Governmental | Residential | Commercial | Agriculture & Charities | Industrial | Private educational facilities, private medical facilities |
| | <i>(Halalah per KWh)</i> | | | | | |
| 1 – 6000 | 32 | 18 | 20 | 16 | 18 | 18 |
| More than 6000 | 32 | 30 | 30 | 20 | 18 | 18 |

SEC believes that any future amendments to the electricity tariff structure are likely to be implemented in a manner designed to ensure the stability of supply and a viable electricity sector.

SEC also charges a tariff for meter reading, maintenance and bill preparation, and a further tariff for electrical service connections all of which are subject to VAT as implemented by SEC through its VAT implementation programme. These tariffs are also set by the Council of Ministers based on ECRA recommendations.

HEALTH AND SAFETY

SEC Group seeks to ensure that strict health and safety standards are observed throughout its operations. It has started working towards compliance with the SEC safety and health management system, Five Star, which is a risk-based, management-led and audit-driven system, and aims to achieve ISO 45001 in 2020.

SEC has a written safety policy and approved a five-year safety action plan, which sets targets for safety systems implementation and levels of star-grading to be achieved during the five-year period. Initiatives include a training programme for managers in risk assessment and accident investigation, and a development plan for all safety engineers and safety representatives. SEC also has in place a programme to train personnel on internal audit procedures on health and safety standards, and as of 31 December 2019, 65 employees of the SEC Group have achieved internal auditor status.

The Industrial Security Sector, a division of Services and Contracts, is responsible for monitoring health and safety standards throughout SEC's business. SEC conducted a baseline audit of existing safety and health management systems and also tracks its lost-time injury frequency rate as well as its fatality rate. In December 2019, SEC has achieved 91 per cent. (equivalent to five stars) of the average implementation of the SEC Five Star safety and health management system according to the series of formal internal audit results of its auditable units that were conducted during the fourth quarter of 2019. SEC also has more than 3,600 safety representatives, as of 31 December, 2019, who conduct safety inspection of their respective work areas each month. SEC's plan for the end of 2020 is to achieve 91 per cent. average implementation of the system for the whole of SEC.

SEC is subject to a number of external regulations and laws, and believes that it is in material compliance with all of these requirements.

SUBSIDIARIES AND PRINCIPAL INVESTMENTS

SEC currently has eleven subsidiaries, all of which are wholly owned: National Grid S.A., Dawiyat Telecom Company, Electricity SUKUK Company, Saudi Electricity for Projects Development Company, Saudi Electricity Global SUKUK Company, Saudi Electricity Global SUKUK Company 2, Saudi Electricity Global SUKUK Company 3, Saudi Electricity Global SUKUK Company 4, Saudi Electricity Global SUKUK Company 5, Saudi Company for Power Purchase and Dawiyat Telecom Company for Communication and Information Technology. Five of these subsidiaries conduct operational activities, namely National Grid, which is the subsidiary to which its transmission business has been transferred (see "*Restructuring of the SEC Group*"), Dawiyat Telecom Company, which is engaged in leasing fibre optic networks to telecom companies as further described below, Saudi Electricity for Projects Development Company, which is engaged in the management and execution of

construction projects in the energy sector, Saudi Company for Power Purchase, which is engaged in the purchase and sale of electricity and the conclusion of the necessary agreements and Dawiyat Telecom Company for Communication and Information Technology, which provides wholesale services for fibre-optic infrastructure in conjunction with Dawiyat.

National Grid S.A.

National Grid is a wholly owned subsidiary of SEC. The transmission business of SEC was formally transferred to National Grid with effect from 1 January 2012 (see “– *Restructuring of the SEC Group*”). Since that date, National Grid has been leasing its transmission network to SEC. All electricity produced by the SEC Group is transmitted in the Kingdom through the SEC Group’s high tension high voltage transmission grid, which is owned and operated by National Grid.

Dawiyat Telecom Company

Dawiyat is a wholly owned telecom subsidiary of SEC established with the aim of optimising investment in SEC's fibre optic systems to lease fibre optic networks to telecommunications companies. Dawiyat services are rendered over a state-of-the-art fibre optic network with more than 80,000 km of fibre optic cables across the Kingdom including villages, hamlets and borders, for which, Dawiyat has obtained a number of licenses such as Infrastructure Wholesale Services (IWS), Internet Service Provider (ISP), and recently IoT-VNO licenses.

Offering open access fibre optic infrastructure to all operators on an equal basis assists in the provision of integrated telecommunications services and improves the quality and speed of internet access in the Kingdom. This is in line with Vision 2030 and the NTP 2020, which includes many initiatives in this respect, the most prominent of which is the initiative of deploying broadband fibre-optic systems to homes in the Kingdom.

Dawiyat plays a key role in Vision 2030 as part of the NTP 2020, and is in the process of connecting a total of 744,500 households across Saudi Arabia to its fibre optic network. A total of 488,000 households were connected by the end of 2019 and approximately 250,000 additional households are expected to be connected by the end of 2020. This is intended to drive growth in the Saudi economy and increase its competitiveness across different sectors.

Dawiyat has entered into a number of partnerships at the local and regional levels to support its development objectives. Dawiyat has also agreed heads of terms with King Salman Energy Park "SPARK" to operate, maintain and commercialise its digital infrastructure and to provide smart services to contribute to the acceleration of the deployment of the fourth industrial revolution environment of the city.

In addition, Dawiyat has been awarded the exclusive right by the Saudi Authority for Industrial Cities and Technology Zones (MODON) to deploy fibre optic infrastructure for five industrial cities under MODON. This is intended to provide neutral access to all operators within the Kingdom in offering their services to their end customers. Dawiyat has also leased part of its fibre optic network to a number of telecommunications companies, to enable them to enhance their network footprint and services.

Dawiyat is further constructing a Tier III carrier-neutral data centre in partnership with Gulf Data Hub. The data centre is located in King Abdullah University for Science & Technology and will serve the university and the tenants of the nearby research park in addition to serving customers across the Kingdom.

As a result of the forecast growth in the international connectivity business in the region, Dawiyat is planning to extend the reach of its network beyond the geographical borders of the Kingdom and connect carriers in neighbouring countries, as well as connecting other international carriers via submarine cable systems.

Electricity SUKUK Company

Electricity SUKUK Company is a special purpose vehicle which was established in the Kingdom of Saudi Arabia in connection with issuance of sukuk within the Kingdom by SEC.

Saudi Electricity Global SUKUK Company

Saudi Electricity Global SUKUK Company is a special purpose vehicle which was incorporated in the Cayman Islands in connection with the issuance of U.S.\$1,250 million 4.211 per cent. certificates maturing in 2022.

Saudi Electricity Global SUKUK Company 2

Saudi Electricity Global SUKUK Company 2 is a special purpose vehicle incorporated in the Cayman Islands in connection with the issuance of U.S.\$1,000 million 3.473 per cent. certificates, maturing in 2023 and U.S.\$1,000 million 5.06 per cent. certificates, maturing in 2043.

Saudi Electricity Global SUKUK Company 3

Saudi Electricity Global SUKUK Company 3 is a special purpose vehicle incorporated in the Cayman Islands in connection with the issuance of U.S.\$1,500 million 4.00 per cent. certificates, maturing in 2024 and U.S.\$1,000 million 5.50 per cent. certificates, maturing in 2044.

Saudi Electricity Global SUKUK Company 4

Saudi Electricity Global SUKUK Company 4 is a special purpose vehicle incorporated in the Cayman Islands in connection with the issuance U.S.\$800 million 4.222 per cent. certificates, maturing in 2024 and U.S.\$1,000 million 4.723 per cent. certificates, maturing in 2028.

Saudi Electricity Global SUKUK Company 5

Saudi Electricity Global SUKUK Company 5 is a special purpose vehicle incorporated in the Cayman Islands in connection with the issuance of the Certificates. See “*Description of Issuer*”.

Saudi Electricity for Projects Development Company

The principal activities of Saudi Electricity for Projects Development Company are the management of construction projects, the making of detailed design work, the procurement of materials and executing projects in the energy sector.

Saudi Company for Power Purchase

The main activity of Saudi Company for Power Purchase is the purchase and sale of electricity and the conclusion of the necessary agreements.

Dawiyat Telecom Company for Communication and Information Technology

Dawiyat Telecom Company for Communications and Information Technology provides wholesale services for fibre-optic infrastructure in conjunction with Dawiyat.

Other investments

As at 30 June 2020, SEC also has equity investments in a number of companies (all of which are incorporated in the Kingdom), which are summarised in the table below.

| <u>Company name</u> | <u>Objective</u> | <u>Percentage shareholding</u> |
|--|---|--------------------------------|
| Gulf Corporation Council Interconnection Authority | Interconnecting the electricity transmission networks of the member states of the GCC | 31.6 |
| Gulf Laboratory Company for Electrical Equipment | Examination of electrical and transmission equipment | 25.0 |
| Al Fadhly Co-Generation Company | Engage in production of steam and mineral free water for industrial purpose | 30.0 |
| Saudi Green Company for Carbon Services | Developing a system for carbon emission. Creating awareness for the decrease in carbon emission along with training to be given to other companies. Certifying the compliance of carbon emission by other companies | 51.0 |
| Hajr for Electricity Production Company | Developing and owning the Qurayyah IPP | 50.0 |
| Rabigh Electricity Company | Developing and operating the Rabigh IPP | 20.0 |

| | | |
|---|--|------|
| Dhuruma Electricity Company | Developing and operating the Riyadh IPP | 50.0 |
| Al Mourjan for Electricity Production Company | Developing and operating the Rabigh II IPP | 50.0 |
| Shuaibah Water and Electricity Company | Developing and operating the Shuaibah IWPP | 8.0 |
| Shuqaiq Water and Electricity Company | Developing and operating the Shuqaiq IWPP | 8.0 |
| Al-Jubail Water and Electricity Company | Developing and operating Al-Jubail IWPP | 5.0 |
| Shuaibah Expansion Holding Company | Developing projects for the dual production of water and electricity | 8.0 |
| Global Data Hub Company | Extension of networks, extension and installation of computer networks, communications, operating systems, computer consultancy and computer facilities management services and information technology | 50.0 |

Gulf Cooperation Council Interconnection Authority

The GCCIA is a joint stock company established in 2001, which is owned by the six GCC states, Kuwait (26.7 per cent. ownership), Qatar (11.7 per cent.), Oman (5.6 per cent.), SEC (31.6 per cent.), Bahrain (9.0 per cent.) and the United Arab Emirates (15.4 per cent.).

The stated objectives of GCCIA are as follows:

- to link the electrical power networks in the member states by providing the necessary investments for the exchange of the electrical power in order to address any losses in power generation in emergency situations;
- to reduce the electrical generation reserve of each of the GCC member states;
- to improve the economic efficiency of the electricity power systems in the member states;
- to provide the basis for the exchange of electrical power among the member states in such a way as to serve the economic aspects and strengthen the reliability of the electrical supplies;
- to deal with the existing companies and authorities in charge of the electricity sector in the member states and elsewhere in order to coordinate their operations and strengthen the efficiency of operation with due regard to the circumstances relating to each state; and
- to follow up global technological developments in the field of electricity and to seek to apply the best modern technologies.

The principal benefit of expanding the transmission network within the GCC is to allow energy exchange and, as a consequence, reduce the installed generation capacity needs of individual member states, with associated savings in operating and maintenance costs. This expansion also maintains energy security by increasing the reliability and safety of GCC electrical systems. The first phase of the project undertaken by GCCIA involved the interconnection of the Kingdom, Bahrain, Qatar and Kuwait (together, the **GCC North Grid**) and was completed in 2009 at a cost of U.S.\$1,407 million, of which SEC's share was equal to U.S.\$484.8 million. The interconnection of the Kingdom, Qatar, Kuwait and Bahrain has been completed. The GCC North Grid was also linked to the interconnection between United Arab Emirates and Oman in 2010. Exchanges of energy are being transmitted through the grid system. In order to maximise the economic benefits of the GCCIA, the GCCIA is working to activate the energy trade market and establish the Arab Common Electricity Market.

SEC has paid in full for its subscription of shares in GCCIA. The total amount of subscription paid by SEC is SAR 1,818 million which equates to its 31.6 per cent. shareholding in GCCIA.

RENEWABLE ENERGY

SEC's efforts to introduce clean energy and reduce reliance on oil for power generation were initiated in 2011 when it implemented the first solar photovoltaics (PV) project in Farsan, in the south of the Kingdom. This project was developed in cooperation with Showa Shell and is the first grid-connected solar PV project in the Kingdom.

SEC marked a further milestone in 2017 when it commissioned the development of a 2.75 MW wind turbine at Huriamla, approximately 70 km from Riyadh. This project was developed in partnership with General Electric.

In the same year, SEC signed a power purchase agreement in respect of a 10 MW solar PV project with TAQNIA Energy located at Lyla Al Aflaj City. Under the terms of the agreement, TAQNIA will design, build, operate and maintain the plant whilst SEC shall be committed to buying the power generated by the solar PV plant. This project was a result of a memorandum of understanding between King Abdulaziz City for Science & Technology, TAQNIA Energy and SEC and is aimed at developing Saudi understanding of renewable energy.

SEC has also signed two separate EPC contracts to develop two power plants producing electric power integrated with solar thermal energy; these power plants are Deba Al-Khadra (which it is intended will produce a total of 605 MW of energy, including 50 MW of solar energy) and Waad Al-Shamal industrial city (which it is intended will produce a total of 1,390 MW, including 50 MW of solar energy).

As a further step towards diversification and the development of renewable energy sources, Saudi Company for Power Purchase, a subsidiary of SEC, has signed a power purchase agreement with Sakaka Solar Energy Company, representing a total capacity of 300MW. The Sakaka project is expected to start commercial operations in 2020 and Dumat Al Jandal is expected to start commercial operations in 2022 and will become the Kingdom's first utility-scale wind power source of 400 MW.

RESEARCH AND DEVELOPMENT

Pursuant to CMR 170, SEC is required to allocate a portion of its revenues (to be specified by the Board) towards research and development in the fields of energy conservation, system improvement and environmental protection. SEC is required under CMR 170 to establish energy conservation practices to promote a more efficient use of electricity. Since its establishment, SEC has:

- cooperated with the King Abdulaziz City for Science and Technology to activate a national programme of energy conservation; and
- worked on a number of projects relating to the development of energy conservation such as projects in relation to energy storage by using alternative technologies such as developing a solar village cooling system, developing vanadium removal from crude oil and investigating the voltage rise in the Central Region.

SEC is also undertaking many research and development partnerships both locally and internationally in the fields of energy conservation, system improvement and environmental protection including its collaboration with the King Abdulaziz City for Science and Technology to improve efficiency for its transmission lines and collaboration on other projects with, among others, Saudi Aramco, the Electric Power Research Institute (EPRI) in the United States, EDF Energy in France and TEPCO in Japan.

SEC has four main research and development centres of excellence, which carry out research works related to generation, transmission, distribution and renewable energy. SEC is also developing and deploying new technologies, and progressing specialised technical studies at its centres of excellence, relating to the following domains: (i) energy efficiency, (ii) digital simulation; (iii) system reliability & security, (iv) storage & renewable energy, (v) smart uses and (v) environment.

In order to promote and develop research programmes, SEC has established and funded a number of academic agreements at Saudi universities. These include a Memorandum of Understanding with King Abdullah University for Science and Technology, King Abdulaziz University, King Saud University and King Fahd University of Petroleum and Minerals. The aim of these chairs is to promote the role of universities in electrical engineering and to carry out studies and developmental research in the field of electrical engineering (with a focus on electric power and energy consumption).

INSURANCE

SEC maintains comprehensive insurance coverage in respect of loss or damage to property (including its power plants and sub-stations). This coverage includes, but is not limited to, fire, explosion, lightning, windstorms, hurricanes, vandalism, malicious damage, riots, strikes, locked out workmen, labour disturbances, civil unrest, electrical damage and theft. SEC also maintains a comprehensive general liability policy with a loss limit of SAR 18 million, which provides coverage against legal liability for causing any accidental bodily injury or death to third parties or damage to their property. SEC further maintains motor vehicle insurance for its general fleet with a combined loss limit of SAR 10 million.

The SEC Group's exposures are monitored through periodic risk surveys by its underwriters and reinsurers in conjunction with SEC's management and engineers.

SEC maintains Political Violence Insurance Coverage which protects the power plants and sub-stations across the Kingdom in event of any sabotage, act of terrorism, malicious damage, riots, strikes and /or civil commotion, as well as subsequent business interruption loss.

PROPERTY, PLANT AND EQUIPMENT

The net book value of SEC Group's portfolio of land and buildings amounted to SAR 5 billion and SAR 32 billion, respectively, as at 31 December 2019.

INFORMATION TECHNOLOGY

The SEC Group uses the following IT systems in order to facilitate its operations:

- **Unified Distribution System (UDS):** A system that manages the components of the grid and also acts as a tracking monitor in respect of each customer, from the time that a customer applies for the service until the installation and operation of the system.
- **Enterprise Resource Management (ERP):** A centralised system that integrates most business areas such as planning, purchasing, inventory, sales, marketing, finance, plant maintenance and human resources.
- **Billing System:** A sales and information system that supports utility business functions such as meter reading, meter data management, scheduling, billing, invoicing, accounting, customer service and integration to customer relationship management and ERP.
- **Supplier Relationship Management (SRM):** A system that is used to strategically plan, manage and interact with suppliers of services and products to the SEC Group, as well as to establish the procurement life cycle with strategic suppliers.
- **Business Intelligence (BI):** A system that analyses data and presents actionable information to help executives and managers make business decisions.
- **Electronic Services (Web and Mobile):** Using the latest technologies to deal with customers and provide certain services through the SEC Group's electronic channels, such as SEC's website and smart phone applications, in an efficient manner.
- **Geographical Information System (GIS):** A system used to gather the information and data of the electrical network for all the components of the grid. Another function of this system includes the management and follow-up in relation to the maintenance and operation of the grid, subscribers' services and performing technical analyses to install new tools and equipment or to acquire new subscribers and to locate the loads for new subscribers. This system is currently used in the large cities of the Kingdom and SEC plans to expand its use to other cities in the Kingdom.
- **Field Force Management System (FFMS):** A system that maintains the whole grid by using GPIS in connection with hand-held electronic devices used by the SEC Group's maintenance teams, which are on location and permit requests for maintenance orders to be sent and received between the hand-held electronic devices and the SEC Group's central control room.

- **CYME International T&D (CYME) & Power Simulation System for Engineers (PSSE):** A system used to perform analysis in respect of the distribution network and the PSSE system is used to perform analysis in respect of the transmission network.
- **Enterprise project Management (EPM):** Global software that offers powerful functionality for prioritising, planning, managing and delivering successful projects.
- **5 Stars health and safety system:** A system used to establish a health and safety environment system to control SEC Group's safety index.
- **Revenue System:** A system used to manage and issue bills for non-power consumption billing and power collection fees using the SADAD gateway to integrate with all banks.
- **Document Management System (DMS):** An enterprise system used to store, manage and track electronic documents and images.

LITIGATION

SEC and certain of its subsidiaries are currently involved in a number of legal proceedings. While SEC cannot predict the final outcome of such legal proceedings, SEC has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which SEC is aware) during the last 12 months preceding the date of this Prospectus which may have, or have had, a significant effect on its financial position or profitability.

Zakat Liabilities

SEC has filed Zakat returns until 2008; SEC also submitted Zakat declarations for the years 2009 to 2016, which are still under review by the General Authority for Zakat and Income Tax. A claim of SR 375 million has been received for the years 2009-2014 by SEC. SEC does not expect that this claim will result in any future obligation.

SEC has submitted its Zakat return to the authorities for the year ended 31 December 2018 within the statutory term.

DISPUTES WITH SAUDI ARAMCO

Until recently, there was a disagreement between the SEC Group and Saudi Aramco over the supply of light fuel oil rather than heavy fuel oil, as per the SEC Group's requirements, resulting in a cumulative difference as at 31 March 2020 of SAR 3.2 billion (31 December 2019: SAR 3.4 billion, December 2018: SAR 3.2 billion) as heavy fuel oil is cheaper than light fuel oil. During July 2020, an agreement was signed to settle this dispute, with the SEC Group paying to Saudi Aramco SAR 837 million for disputed amounts that had accrued since 2017. Saudi Aramco has not claimed under this agreement for any accrued amounts for the period before 2017, which is estimated at SAR 2.6 billion.

REGULATION

Regulatory authorities

The Ministry of Energy

The Ministry of Energy is the governmental entity which sets out the policies that govern the electricity sectors within the Kingdom.

The electricity sector had previously fallen, together with the water sector, under the responsibility of the Ministry of Water and Electricity. However, as part of the Government's continuing efforts to effect structural reforms in Saudi Arabia's economy and society as envisaged by Vision 2030, and in furtherance of the Government's stated aims of streamlining the functioning of the public sector and aligning its operations more closely with the Government's strategic aims and objectives, the King, through a number of Royal Orders issued in May 2016, implemented numerous changes in the structure of the Government and the allocation of roles and responsibilities between the various Governmental ministries and departments.

As part of these changes, the Ministry of Petroleum and Mineral Resources was renamed as the Ministry of Energy, Industry and Mineral Resources in May 2016 and effectively replaced the former Ministry of Petroleum and Mineral Resources but also with responsibility for all matters relating to energy, including the electricity sector. On 29/12/1440H (corresponding to 30/08/2019G), a Royal Order was issued establishing a new Ministry in the name of Ministry of Industry and Mineral Resources and amending the name of the Ministry of Energy,

Industry and Mineral Resources to be the Ministry of Energy. Pursuant to such Royal Order, the Ministry of Industry and Mineral Resources will be responsible for all competencies and matters relating to the industry and mineral resources sectors. The Ministry of Energy will be responsible for all matters relating to the energy sector (including electricity).

The water sector became part of the new Ministry of Environment, Water & Agriculture. The Ministry of Water and Electricity, which had previously had responsibility for the electricity and water sectors, was then dissolved by Royal Decree No. A/133 dated 30/07/1437H (corresponding to 07/05/2016G).

The Electricity Law, enacted by Royal Decree No. M/56 dated 20/10/1426H (corresponding to 22/11/2005G) as amended pursuant to Royal Decree No. M/45 dated 06/07/1432H (corresponding to 08/06/2011G), sets out the principal tasks which fall under the Ministry of Energy responsibility. These, among others, include:

- proposing policies relating to the electricity sector, and supervising their application after they are implemented;
- adopting and ensuring the application of plans and programs for the development of the electricity sector;
- representing the Kingdom and protecting its interests in relation to the electricity sector before local, regional, and international authorities;
- working towards the nationalisation of jobs within the electricity sector;
- supporting research and development activities regarding the electricity industry in specialised institutes, universities, and private establishments; and
- liaising with ECRA for the purposes of proposing any amendments to the Electricity Law.

Electricity and Co-generation Regulatory Authority

ECRA, which was formed in November 2001G, pursuant to Council of Ministers' Resolution No. 236 dated 27/08/1422H (corresponding to 13/11/2001G), is a government agency which regulates the electricity and co-generation industries in the Kingdom with a mission to allow for the provision of adequate, high quality and reliable electricity services at a reasonable price. ECRA's powers and responsibilities, as defined by Council of Ministers' resolution No. 154 dated 04/05/1428H (corresponding to 21/05/2007G), include:

- Supply matters: including issuing licences, monitoring licence compliance, developing unified utility accounting procedures, coordinating organised infrastructure and devising a services expansion plan;
- Consumer issues: including dealing with tariff assessments and periodic reviews of tariffs, stakeholder protection, investigating and resolving complaints by involved parties, improving sector performance and, in coordination with the Ministry of Energy, promoting energy conservation measures;
- Technical issues: including developing technical standards of performance for each electrical activity, monitoring compliance with the standards, ensuring adequacy of the industry's research and development activities and other relevant technical matters; and
- Organisational and administrative tasks: including protecting the public interest, developing regulations for infrastructure expansion, encouraging private sector investments, assessing licensing fees, establishing rules and procedures to enforce applicable laws and regulations and issuing periodic reports to the Council of Ministers on costs and tariffs of electricity services.

The Electricity Law explicitly states that no person may carry out any electricity activity unless in accordance with a licence issued by ECRA, and additionally provides the regulatory framework for such licensing. The Electricity Law further defines 'electricity activity' under the definition of 'electricity industry' as electricity services which a person undertakes, or intends to undertake, including the generation, co-generation, transmission, distribution, supply, and trading of electricity.

Pursuant to such provisions, the SEC Group is required to obtain and maintain valid licences in relation to its main activities, being transmission, distribution, and generation.

Environmental regulation

The SEC Group is subject to environmental laws and regulations within the Kingdom. Under the General Environmental Regulation enacted by Royal Decree No. M/34 dated 28/07/1422H (corresponding to

15/10/2001G) and PME Environmental Standards issued in March 2014. PME is the governmental entity responsible for the administration and policies of environmental affairs in the Kingdom.

General Environment Regulations and Rules for Implementation and PME Environmental Standards set out wide-ranging prohibitions on pollution and contamination of air, land and water, and noise with particular reference to all parties involved in services, industry or other economic activities.

New projects undertaken by the SEC Group require an environmental permit prior to their construction and operation. In accordance with the General Environmental Law, any authority responsible for issuing a permit to any new projects with an impact on the environment must ensure that an environmental impact assessment study (EIA) is prepared by the proponent during the feasibility study of any such project.

In practice, the EIA is usually submitted to PME for approval. Following their review and evaluation of the application and the documentation provided, PME may reject the permit application, grant unconditional PME consent, or grant PME consent subject to such conditions as it considers necessary to address its concerns. Where conditional PME consent is granted, the applicant must undertake to fulfil such conditions as a prerequisite to the granting of any such environmental permit.

Pursuant to CMR 170, SEC is required to conduct its operations in line with environmental guidelines set by the Government. PME inspectors periodically inspect SEC Group's facilities to ensure compliance with these guidelines. SEC has also initiated a system of internal audits at SEC Group's facilities to monitor compliance with applicable environmental laws and standards. SEC believes that emissions from SEC Group's power plants are within standards set by the Government and that it is in substantial compliance with all applicable environmental laws and standards in the Kingdom.

SEC has taken a number of environmental measures, such as utilising natural gas instead of crude oil and installing continuous emissions monitoring systems for the gases emitted from power plant stacks so as to monitor and evaluate emissions in order to control environmental pollution. In addition, hazardous industrial waste resulting from the burning of heavy fuel oil is processed in dedicated hazardous waste containment sites or reused in cement factories. Adherence to high specifications during design and construction also reduces the level of noise caused by power generation, transmission and distribution equipment. The Industrial Security Sector, a division of General Services, is responsible for monitoring environmental compliance with environmental regulations and standards.

KINGDOM OF SAUDI ARABIA

The information in this section has been derived from a number of different identified sources. The Trustee and SEC confirm that such information has been accurately reproduced and that, so far as they are aware, and are able to ascertain from the information published by each of the relevant sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Background

The Kingdom, situated in the south-western part of Asia, comprises almost four-fifths of the Arabian Peninsula, an area approximately one-third the size of the continental United States. The Kingdom is the largest country in the GCC and the second-largest Arab country. The modern Kingdom was declared in 1932 by King Abdul Aziz ibn Abdul Rahman Al Saud. The capital of the Kingdom is Riyadh.

Since the discovery of oil fields in the eastern region along the coast of the Arabian Gulf in 1938, the Kingdom has experienced rapid growth and is now a leading producer of oil and natural gas. According to the Organization of the Petroleum Exporting Countries' (OPEC) 2019 Annual Statistical Bulletin, Saudi Arabia possessed the world's second largest proven oil reserves (accounting for 17.8 per cent. of the world's total oil reserves) as at 31 December 2018, and was the world's third largest oil producer (accounting for 13.6 per cent. of the world's total oil production) and the world's largest oil exporter (accounting for 16.1 per cent. of the world's total oil exports by volume) in the year ended 31 December 2018.

According to the World Bank, Saudi Arabia was the eighteenth largest economy in the world and the largest economy in the GCC region in the year ended 31 December 2018. Saudi Arabia's economy accounted for 47.5 per cent. of the combined nominal GDP of the GCC countries and 21.6 per cent. of the combined nominal GDP of the countries in the MENA region in the year ended 31 December 2018. The Kingdom has a history of economic stability and a modern infrastructure. Since 2005, the Kingdom has gained membership in the World Trade Organisation (the WTO). The Kingdom joined the Group of Twenty (the G20) in April 2009.

Geography

The Kingdom comprises a land area of approximately 2,150,000 square km and is located in the Arabian Peninsula, a peninsula of south-west Asia situated north-east of Africa. Saudi Arabia has coastlines on the Red Sea to the west and the Arabian Gulf to the east. It is bordered in the north and north-east by Jordan and Iraq, in the east by Kuwait, Qatar and the United Arab Emirates, in the south-east by Oman, in the south by Yemen, and is connected to Bahrain by the King Fahd Causeway. Saudi Arabia is the largest country in the GCC.

The Kingdom has five geographical regions:

- Eastern Province, the industrial heart of the Kingdom's oil fields and associated industries, containing the cities of Jubail, Al Khobar, Dhahran and Dammam;
- Central Province, containing the city of Riyadh, the capital and the seat of the Government;
- Western Province, bordering the Red Sea and containing the holy cities of Makkah and Madinah, the major commercial city of Jeddah and the industrial city of Yanbu;
- Northern Province, a sparsely populated region containing the cities of Tabuk and Hail; and
- South West Province, a mountainous region containing the city of Abha and the port of Jizan.

Most of the Kingdom consists of arid or semi-arid land. Uninhabitable desert covers nearly half of the country. Less than 2 per cent. of Saudi land is classified as arable, and less than 1 per cent. of the country's land is dedicated to permanent crops. The Kingdom has undergone rapid urbanisation in recent decades, and over 80 per cent. of the population of the Kingdom currently lives in cities, with approximately half the population of the Kingdom being concentrated in the six largest cities of Riyadh, Jeddah, Makkah, Medina, Ta'if and Dammam.

Government and legal framework

Saudi Arabia is a monarchy with a political system rooted in the traditions and culture of Islam. The Custodian of the Two Holy Mosques, the King of Saudi Arabia (the **King**), is both the head of state and the head of the Government. Royal Decree No. A/90 dated 27/08/1412H (corresponding to 02/03/1992G), as amended (the **Basic Law of Governance**) provides that the Holy Quran and Sunnah (the teachings of the Prophet Muhammad (PBUH)) form the primary sources of law in Saudi Arabia. The Basic Law of Governance specifies that the King must be chosen from among the sons of the founding King, the Late King Abdulaziz bin Abdul Rahman Al Saud (**King Abdulaziz**), and their male descendants.

In 2006, the Allegiance Council (hay'at al-bay'ah) was established, comprising: (a) the surviving sons of King Abdulaziz; (b) one son of each deceased/incapacitated son of King Abdulaziz; and (c) one son of the incumbent King and one son of the incumbent Crown Prince, both appointed by the incumbent King, to determine which member of the royal family will be the next King and the next Crown Prince. The current King, President of the Council of Ministers and Custodian of the Two Holy Mosques, King Salman bin Abdulaziz Al Saud, acceded to the throne on 23 January 2015. The current Crown Prince is His Royal Highness Prince Mohammed bin Salman bin Abdulaziz Al Saud, who also holds the positions of Vice President of the Council of Ministers, Minister of Defence, Chairman of the Council for Economic and Development Affairs and Chairman of the Council for Political and Security Affairs.

The King controls the legislative, executive, and judicial bodies and royal orders and royal decrees that together form the basis of the Kingdom's legislation. The King also presides over the Council of Ministers (Majlis al Wuzara), which was established by Royal Decree No. 5/19/4288 dated 01/03/1373H (corresponding to 08/11/1953G). The current Law of Council of Ministers has been issued by Royal Decree No. A/13 dated 03/03/1414H (corresponding to 21/08/1993G), as amended. It comprises the Vice President of the Council of Ministers and 23 Ministers with portfolios and 11 Ministers of State. The King makes appointments to and dismissals from the Council of Ministers. The Council of Ministers is responsible for, among other things, executive and administrative matters such as foreign and domestic policy, defence, finance, health and education. The King and executive officials at the local, provincial and national levels also hold regular meetings, which are generally open to members of the public (majalis) and where members of the public may discuss issues and raise grievances.

Saudi Arabia is divided into 13 provinces, each of which has a governor and a provincial council. The provincial councils are empowered to determine the development needs of their respective provinces, make recommendations and request appropriations in the annual budget. Saudi Arabia's 13 provinces comprise Riyadh, Makkah, Medina, the Eastern Province, Asir, Al-Baha, Tabuk, Al-Qassim, Ha'il, Al-Jouf, the Northern Borders, Jizan and Najran. These provinces are further divided into 118 governorates, which are in turn sub-divided into municipalities. Pursuant to the Law of Municipal Councils, issued by Royal Order No. M/61 dated 4/10/1435H (corresponding to 31/07/2014G), the term of each municipal council is four years, extendable for a period not exceeding two years in exceptional cases. Two-thirds of the members of any municipal council must be chosen by elections, while the other third are appointed by the Minister of Municipal and Rural Affairs. In 2015, women were allowed to stand for election to, and vote for the members of, the municipal councils.

Legal and Judicial System

Since the founding of the modern Kingdom in 1932, and in accordance with the Basic Law of Governance, *Shari'ah* (Islamic law) has been the pillar and source of the Kingdom's basic system of Government, and is the paramount body of law in the Kingdom.

The *Shari'ah* comprises a collection of fundamental principles derived from a number of different sources, which include the Holy Qu'ran and the Sunnah (the witnessed sayings and actions of the Prophet Mohammed). In addition to the *Shari'ah*, Saudi Arabian law is also derived from enacted legislation that may not conflict with *Shari'ah* principles. Legislation is enacted in various forms, the most common of which are Royal Orders, Royal Decrees, Council of Ministers' resolutions, High Orders, ministerial resolutions and ministerial circulars having the force of law. All such laws and regulations are ultimately subject to, and may not conflict with, the *Shari'ah*, and each Saudi Arabian court or other adjudicatory authority is required to interpret such legislation accordingly.

Saudi Arabia's judicial system comprises the general courts, which have general jurisdiction over cases that do not fall under the jurisdiction of other courts in Saudi Arabia in addition to having jurisdiction over real estate and traffic cases. Further, there are specialised courts covering certain specific areas of law, including a system of administrative courts known as the Board of Grievances, a Criminal Court, a Labour Court, a Commercial Court and various adjudicatory or quasi-judicial committees with special jurisdiction over such matters as banking transactions, securities regulation, intellectual property, tax, electricity industry disputes and medical malpractice.

Further, the Bankruptcy Law, which came into effect on 18 August 2018, has transferred the jurisdiction to supervise insolvency and bankruptcy proceedings of commercial entities from the Board of Grievances to the Commercial Courts.

Vision 2030

In April 2016, the Government announced its new strategy, known as "Vision 2030", which sets forth a comprehensive agenda of socio-economic reforms with the aim of achieving fundamental economic, social and structural changes in Saudi Arabia by the year 2030. Vision 2030 is based upon three fundamental existing strengths of Saudi Arabia: (i) its importance in the Arab and Islamic world; (ii) its leading investment capabilities; and (iii) its unique strategic geographical location with the ability to connect the three continents of Asia, Europe and Africa.

The key objectives of Vision 2030 include the diversification of Saudi Arabia's economy and decreased reliance upon oil-related revenues through, among other measures, the transformation of Saudi Aramco from an oil-producing company into a global industrial conglomerate and the transformation of the PIF into a sovereign wealth fund. The PIF intends to continue to assist the private sector with the establishment of capital intensive projects. In addition, Vision 2030 aims to reform Government services to increase transparency and accountability, as well as to expand the variety and scope of digital services offered by the Government in order to improve efficiency and reduce bureaucracy.

Vision 2030 focuses on three broad themes, each of which aims to capitalise on Saudi Arabia's existing strengths in its society, culture, heritage and economy. The three themes highlighted in Vision 2030 are Societal Development, Economic Reform and Effective Governance.

The Council of Ministers has delegated to the Council for Economic and Development Affairs (**CEDA**) the overall responsibility for establishing and monitoring the measures required for the effective implementation of Vision 2030, and the CEDA has in turn established an integrated governance model to implement detailed programmes to attain the desired results.

For details on the several initiatives that have already been launched, or are anticipated to be launched in connection with the implementation of Vision 2030, see "*—Implementation of Vision 2030*" below. One of the key executive programmes that was launched in June 2016 in connection with the implementation of Vision 2030 is NTP 2020, which sets forth the objectives and detailed methodology, including clearly identified goals and targets, that are sought to be achieved in connection with the implementation of Vision 2030. For details on NTP 2020, see "*—The National Transformation Programme 2020*" below. The Fiscal Balance Programme, launched in December 2016 in connection with the implementation of Vision 2030, is another key executive programme and sets forth objectives and measures aimed at achieving a balanced budget by 2020. In December 2017, the Government revised the timeline for achieving a balanced budget in light of factors including local and global economic conditions and the expected fiscal and economic impact of certain planned initiatives and aims to achieve a balanced budget by 2023

In April 2017, CEDA, in connection with the implementation of Vision 2030, launched ten new executive programmes, which, in addition to the NTP 2020 and the Fiscal Balance Programmes, are known as the Vision 2030 realisation programmes.

Implementation of Vision 2030

The Government has already launched a number of programmes that seek generally to achieve the aims and objectives of Vision 2030, which include the following:

- *The Government Restructuring Programme:* This programme has, to date, included the consolidation of a number of existing Government ministries under two newly-formed councils, the Council for Political and Security Affairs (CPSA) and the CEDA, with the intention of promoting greater efficiency and productivity between the various branches of Government and greater coordination between the respective ministries. A restructuring of various Governmental ministries and departments has also taken place.
- *The Fiscal Balance Programme:* This programme involves reviewing Saudi Arabia's existing capital expenditure, including the approval mechanisms relating to such expenditure, and its measurable economic impact. This programme envisages that further measures will be introduced with the aim of achieving economic diversification and fiscal consolidation. The Fiscal Balance Programme sets forth objectives and measures for the achievement of a balanced budget by 2023.
- *The National Transformation Programme:* This programme was launched by the Government in June 2016 and establishes strategic objectives that are based on Vision 2030 and addresses various challenges involved in the implementation of Vision 2030 in accordance with the specified methodology and targets. As a result of the launch of the Vision 2030 realisation programmes, the Government is re-examining the scope of the NTP 2020 in order to eliminate overlaps between the NTP 2020 and other programmes and ensure that the NTP 2020 continues to meet the overall objectives of Vision 2030. For further details in respect of NTP 2020, see "*—The National Transformation Programme 2020*" below.
- *The Regulations Review Programme:* This programme includes the review and update of several of Saudi Arabia's existing laws and regulations, in order to ensure that they accord with Saudi Arabia's stated goals and priorities. Such laws have included, among others, laws relating to companies, nongovernmental organisations, fees on unused land and the General Authority for Endowments.
- *Enriching the Hajj and Umrah Experience Programme:* This programme aims to increase the number of people performing Hajj and Umrah including through the development of further infrastructure to support increased participation in Hajj and Umrah.
- *Lifestyle Improvement Programme:* This programme aims to increase participation in cultural, environmental and sporting activities.
- *National Companies Promotion Programme:* This programme aims to incentivise the growth and efficiency of a number of the most promising small and medium sized national companies and to create new job opportunities.
- *National Industrial Development Logistics Programme (the NIDLDP):* This programme aims to position Saudi Arabia as a logistics hub that benefits from its location at the intersection of three continents through improving infrastructure and developing logistics services. The delivery plan for the NIDLDP was approved on 15 July 2017 and the programme was officially launched on 28 January 2019. During the inauguration ceremony, 37 agreements and memorandums of understanding were signed with an estimated value of SAR 205.0 billion (U.S.\$54.7 billion), in addition to 29 other agreements being announced. These were in addition to 25 agreements signed in October 2018, with an estimated value of SAR 210.0 billion (U.S.\$56.0 billion), of which agreements with an estimated value of SAR 165.0 billion (U.S.\$44.0 billion) are under the NIDLDP. The NIDLDP's objective is to develop the industry, mining, energy and logistics sectors in Saudi Arabia, which in turn is expected to support job generation, increase non-oil exports, reduce imports, raise the contribution of these sectors to the Kingdom's gross domestic product and attract foreign investments.
- *The Housing Programme:* This programme aims to facilitate increased private home ownership through the development of the residential and construction sectors.
- *Public Investment Fund Programme:* This programme envisages the refinement of the PIF's investment capabilities, enabling it to manage a broader portfolio of assets with the aim of transforming the PIF into an active sovereign wealth fund.
- *Strategic Partnerships Programme:* This programme aims to build and deepen strategic economic partnerships with selected countries that have the capacity to contribute to Vision 2030. It aims also to build partnerships in the GCC and the region by facilitating the movement of people, goods and capital.
- *Financial Sector Development Programme:* This programme aims to increase the size, depth, and development of Saudi Arabia's capital markets, improve operators and users' experiences as well as the

status of Saudi Arabian capital markets regionally, with the aim of making Saudi Arabia's capital markets the primary market in the Middle East and one of the most respected markets internationally. The programme aims to help create an advanced market that attracts local and foreign investors, which enables it to take on a pivotal role in developing the national economy and diversifying sources of income.

- *Privatisation Programme:* This programme aims to identify sectors suitable for privatisation and to implement a comprehensive privatisation programme.

In addition to the programmes outlined above, each of which have already been initiated and are at various stages of implementation, the Government is proposing to launch additional programmes that are intended to assist in achieving the aims of Vision 2030. These programmes include the Saudi Aramco Strategic Transformation Programme, a programme that envisages the transformation of Saudi Aramco from an oil producing company into a global industrial conglomerate.

National Transformation Programme 2020

The NTP 2020 was launched in June 2016 across 24 governmental bodies operating in the economic and development sectors. At the time of its launch, the NTP 2020 included 16 ministries (including all the ministries represented in the CEDA) as well as eight governmental organisations closely connected with the overall objectives of Vision 2030 (such as the Saudi Commission for Tourism and National Heritage (**SCTH**), RCJY, Ministry of Investment of Saudi Arabia (**MISA**) and the King Abdulaziz City for Science and Technology, among others).

NTP 2020 seeks to identify both the strategic objectives, as well as the challenges, involved in the implementation of Vision 2030, followed by the launch of specific initiatives and the attainment of well-defined goals to be achieved by each Government entity covered by NTP 2020. At the time of its commencement, a total of 543 initiatives (with 346 targets to be achieved) were approved for launch during 2016, and the NTP 2020 anticipated that the Government would spend approximately SAR 268.4 billion (U.S.\$71.6 billion) on these initiatives through to the year 2020. As a result of the launch of the Vision 2030 realisation programmes, the Government is re-examining the scope of the NTP 2020 in order to eliminate overlaps between the NTP 2020 and other programmes and ensure that the NTP 2020 continues to meet the overall objectives of Vision 2030.

One of the key features of NTP 2020 is maximising the private sector's participation in attaining the goals of NTP 2020, thereby reducing the costs to be borne by the Government and enhancing the financial and developmental returns from NTP 2020.

The CEDA has established procedures and processes for the transparent and effective implementation of the initiatives contained in NTP 2020, including comprehensive and ongoing performance measurement mechanisms to enable the supporting agencies, such as the newly created National Centre for Performance Measurement and the Delivery Unit, to evaluate performance and recommend adjustments and corrective action where required.

Saudi Arabia's Position in the International Community

As the only Arab nation member of the G20, an international forum for the governments of 20 major economies, and a founding member of several major international organisations, including the United Nations (UN) and OPEC, Saudi Arabia plays an important role in the global economy and international trade and diplomatic relations. Furthermore, as a founding member of the GCC, the Muslim World League, the Organisation of Islamic Cooperation (the **OIC**) and the Islamic Development Bank (each of which is headquartered in Saudi Arabia) as well as the Arab League, Saudi Arabia has also assumed a leadership position among both Arab countries and the broader Muslim world. As the world's third largest oil producer (accounting for 13.6 per cent. of the world's total oil production) and the world's largest oil exporter (accounting for 16.1 per cent. of the world's total oil exports by volume) in the year ended 31 December 2018, according to OPEC's 2019 Annual Statistical Bulletin, Saudi Arabia occupies a central position in OPEC and the world oil markets.

Saudi Arabia is also a member of the IMF, the African Development Bank Group, the Asian Infrastructure Investment Bank and the European Bank for Restructuring and Development (the **EBRD**). The EBRD's mandate

has recently been expanded to invest and promote private initiatives in certain Arab countries in the Middle East and North Africa region.

Saudi Arabia joined the World Bank Group in 1957, and is one of the larger shareholders of the World Bank among its 189 member countries. In recognition of its contributions to the global economy and international development, Saudi Arabia achieved the status of a 'single-country constituency' on the World Bank's Executive Board (the **Executive Board**) in 1986. Saudi Arabia is represented at World Bank meetings by its executive director and engages in direct consultations and negotiations with other executive offices with the aim of achieving the World Bank's primary objective of reducing global poverty. From time to time, Saudi Arabia's executive director has served as the chair of the Executive Board's standing committees, and several of the past Saudi Arabian executive directors have served as dean of the Executive Board.

Saudi Arabia acceded as a member of the WTO in November 2005, as a result of which the Government has implemented various structural reforms in order to create a more liberal trade regime and business-friendly environment. In addition to the WTO, Saudi Arabia is party to a number of multilateral business and trade related agreements, including the Convention Establishing the Multilateral Investment Guarantee Agency; the Inter-Arab Investment Guarantee Corporation; the UN Guiding Principles on Business and Human Rights; and the Convention on the Recognition and Enforcement of Foreign Arbitral Awards. Saudi Arabia is also party to a number of trade and economic agreements aimed at promoting trade and economic development, including the Arab Economic Unity Agreement; the Arab League Investment Agreement; the League of Arab States Investment and the Agreement on Promotion, Protection and Guarantee of Investments among the Member States of the OIC.

Saudi Arabia plays a key role in the international fight against terrorism. Saudi Arabia is a member and an active participant in a number of international organisations and treaties pertaining to anti-money laundering (**AML**) and combatting the financing of terrorism (**CFT**). In December 2015, the Government announced the establishment of an intergovernmental military alliance of 34 countries based at a joint command centre in Riyadh, the primary objective of which is to combat terrorist organisations, including Da'esh, in line with UN and OIC initiatives on counter-terrorism.

Saudi Arabia is also a member of the International Chamber of Commerce, the World Intellectual Property Organisation, the Greater Arab Free Trade Area, the International Organisation of Securities Commissions (**IOSCO**) and the Organisation for the Prohibition of Chemical Weapons.

Saudi Arabia has entered into bilateral economic, trade and technical cooperation agreements with 36 countries, which aim to develop economic, trade and technical cooperation and to enable the free inflow of goods, capital, and services and the free movement of individuals and investment between the contracting countries. Saudi Arabia has also entered into Avoidance of Double Taxation Agreements with 34 countries.

In addition, Saudi Arabia contributes significant amounts of development aid to other countries and institutions, including through the Saudi Fund for Development (the **SFD**). The SFD extends loans and credit support for the development of a range of projects in many developing countries, particularly in Asia and Africa, with a particular focus on the social infrastructure, agriculture, energy and industry sectors.

Economic overview

According to the World Bank, Saudi Arabia was the eighteenth largest economy in the world and the largest economy in the GCC region in the year ended 31 December 2018. Saudi Arabia's economy accounted for 47.5 per cent. of the combined nominal GDP of the GCC countries and 21.6 per cent. of the combined nominal GDP of the countries in the MENA region in the year ended 31 December 2018.

GDP

Based on preliminary figures, Saudi Arabia's real GDP (based on constant 2010 prices) was SAR 1,954.9 billion (U.S.\$21.3 billion) in the nine month period ended 30 September 2019, representing an increase of 0.6 per cent. in real terms as compared to real GDP of SAR 1,944.1 billion (U.S.\$18.4 billion) in the nine month period ended 30 September 2018. Saudi Arabia's nominal GDP was SAR 2,203.9 billion (U.S.\$587.7 billion) in the nine month

period ended 30 September 2019, representing an increase of 1.0 per cent. in nominal terms as compared to nominal GDP of SAR 2,183.1 billion (U.S.\$582.2 billion) in the nine month period ended 30 September 2018.

Saudi Arabia's GDP in real terms (at constant 2010 prices) was SAR 2,631.1 billion (U.S.\$701.6 billion) in the year ended 31 December 2018, an increase of 2.4 per cent. compared to SAR 2,568.6 billion (U.S.\$685.0 billion) in the year ended 31 December 2017. Saudi Arabia's total nominal GDP was SAR 2,949.5 billion (U.S.\$786.5 billion) in the year ended 31 December 2018, representing an increase of 14.2 per cent. as compared to SAR 2,582.2 billion (U.S.\$688.6 billion) in the year ended 31 December 2017. This growth was partly attributable to ongoing Government expenditure on large development projects, as well as continuous structural and regulatory reforms aimed at achieving sustainable economic growth through diversifying the production base and increasing the contribution of the non-oil sector.

The Oil Sector

According to OPEC's 2019 Annual Statistical Bulletin, Saudi Arabia possessed the world's second largest proven oil reserves (accounting for 17.8 per cent. of the world's total oil reserves) as at 31 December 2018, and was the world's third largest oil producer (accounting for 13.6 per cent. of the world's total oil production) and the world's largest oil exporter (accounting for 16.1 per cent. of the world's total oil exports by volume) in the year ended 31 December 2018. At Saudi Arabia's production levels of 10.3 million bpd on average in the year ended 31 December 2018, and without taking into consideration the discovery of additional reserves or developments in the oil production process, Saudi Arabia's oil reserves of 267.0 billion barrels are projected to last for approximately another 70 years

Since oil was first discovered in Saudi Arabia in 1938, Saudi Arabia's economy has expanded rapidly, principally due to the revenues generated from the export of crude oil and related products. While the oil industry has historically dominated, and continues to be the largest part of, Saudi Arabia's economy, for the past several years Saudi Arabia has also been concentrating on the diversification of its economy. These efforts have gained special importance in light of the onset of low oil prices in mid-2014.

Based on preliminary figures for 2019, the non-oil sector of the economy contributed 68.3 per cent. and 67.0 per cent. to Saudi Arabia's nominal GDP in the six month periods ended 30 June 2019 and 2018, respectively and grew by 3.3 per cent. in nominal terms for the six month period ended 30 June 2019. The non-oil sector of the economy contributed 65.9 per cent. and 70.6 per cent. to Saudi Arabia's nominal GDP and grew by 6.6 per cent. and 1.5 per cent. in nominal terms in the years ended 31 December 2018 and 2017, respectively.

Furthermore, the prioritisation by the Government of the non-oil private sector, which is a key element of the Government's economic diversification policy, has contributed and is expected to continue to contribute to growth in the non-oil private sector of Saudi Arabia.

The hydrocarbon industry is the single largest contributor to Saudi Arabia's economy. Saudi Aramco, the state owned oil company of Saudi Arabia, is the principal producer of oil and natural gas in Saudi Arabia. Saudi Arabia's proven crude oil reserves stood at 267.0 billion barrels as at 31 December 2018. Based on preliminary figures for 2018, the oil sector accounted for 43.2 per cent. and 43.0 per cent. of Saudi Arabia's real GDP and 33.4 per cent. and 28.5 per cent. of Saudi Arabia's nominal GDP in the years ended 31 December 2018 and 2017, respectively, while oil revenues accounted for 67.5 per cent. and 63.0 per cent. of total Government revenues in the fiscal years 2018 and 2017, respectively. Oil exports accounted for 78.7 per cent. of Saudi Arabia's total export earnings in the year ended 31 December 2018.

In the year ended 31 December 2019, Saudi Arabia's total crude oil production was 3,580 million barrels, compared to 3,765 million barrels, 3,635 million barrels, 3,828 million barrels, 3,720 million barrels and 3,545 million barrels in the years ended 31 December 2018, 2017, 2016, 2015 and 2014, respectively. In the year ended 31 December 2019, Saudi Arabia's daily average of crude oil production was 9.9 million bpd, compared to 10.3 million bpd, 10.0 million bpd, 10.6 million bpd, 10.2 million bpd and 9.7 million bpd in the years ended 31 December 2018, 2017, 2016, 2015 and 2014, respectively. The decrease in Saudi Arabia's total crude oil production during the period was principally due to Saudi Arabia's participation in voluntary production management with other OPEC and certain non-OPEC oil producing countries in an effort to accelerate the stabilisation of the global oil market

under the Declaration of Cooperation made by OPEC and certain non-OPEC oil producing countries in November 2016.

The following table sets forth the yearly average OPEC Reference Basket price (a weighted average of prices per barrel for petroleum blends produced by the OPEC countries) and the monthly price per barrel of Arabian Light Crude Oil (which is one of the types of crude oil produced by Saudi Aramco its subsidiaries (the **Saudi Aramco Group**) and constitutes part of the OPEC Reference Basket) in each of the years indicated:

| | Year ended 31 December | | | | | | | | |
|-------------------------------|------------------------|-------|-------|-------|-------|--------|--------|--------|-------|
| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2000 |
| | (U.S.\$ per barrel) | | | | | | | | |
| OPEC Reference Basket price | 69.78 | 52.43 | 40.76 | 49.49 | 96.29 | 105.87 | 109.45 | 107.46 | 27.60 |
| Arabian Light Crude Oil price | 70.59 | 52.59 | 40.96 | 49.85 | 97.18 | 106.53 | 110.22 | 107.82 | 26.81 |

As illustrated by the data above, international oil prices have fluctuated significantly over the past two decades. More recently, world oil prices have witnessed a significant decline since mid 2014, with the OPEC Reference Basket price declining from a monthly average of U.S.\$107.89 per barrel in June 2014 to a monthly average of U.S.\$26.50 per barrel in January 2016, before partially recovering to a monthly average of U.S.\$49.60 per barrel in August 2017. Oil prices have continued to be volatile in the past two years, with the average basket price for 2018 reaching U.S.\$65.37 and the average basket price for 2019 reaching U.S.\$64.04 with a high of U.S.\$74.07 and a low of U.S.\$52.14. Oil prices steeply declined in the first four months of 2020 following the failure of OPEC and certain non-OPEC oil producing countries to come to an agreement to extend the voluntary crude oil production adjustments that expired on 31 March 2020 and as a result of the challenges posed by COVID-19, fluctuating significantly on a daily basis but remaining low due to uncertainty surrounding production output levels and due to significantly lower demand for oil (see “— *The COVID-19 pandemic has caused significant disruption to the global economy and has also caused disruption to the Kingdom’s economy and impacted the SEC Group’s business, and COVID-19 or the outbreak of other communicable diseases around the world may cause further disruption*”). A series of meetings took place on 9 and 12 April 2020 between OPEC and certain non-OPEC oil producing countries, including Russia, which culminated in an agreement to reduce their overall production in stages between 1 May 2020 and 30 April 2020. However, there can be no assurance that the agreement will be implemented by all relevant parties or achieve its stated goals or what effect the agreement will have on oil prices in the short to medium term. In light of the above factors, the OPEC Reference Basket price fell from a monthly average of U.S.\$65.10 per barrel in January 2020 to a monthly average of U.S.\$17.66 in April 2020 (with prices for certain types of oil falling even further still and temporarily going into negative territory later that month), before partially recovering to a monthly average of \$45.19 per barrel in August 2020.

The decline in global oil prices from mid-2014 can also be attributed to a number of other factors, including, but not limited to, a decline in demand for oil and natural gas due to a worsening of global economic conditions, the increase in oil production by other producers (including by reason of improvements in oil extraction technologies) and competition from alternative energy sources. The recent recovery, until the COVID-19 pandemic, in global oil prices was attributable primarily to the production management measures undertaken by OPEC and certain non-OPEC oil producing countries in an effort to accelerate the stabilisation of the global oil market under the Declaration of Cooperation made by OPEC and certain non-OPEC oil producing countries in November 2016, as well as growth in global oil demand, a decline in supply from Venezuela and the continued effect of U.S. sanctions imposed on Iran.

Until mid-2014, rising oil prices and production resulted in large external and fiscal surpluses for over a decade and, as a result, Saudi Arabia’s public debt steadily decreased during that period. Accumulated fiscal surpluses enabled the Government to reduce its public debt by 93.5 per cent. from SAR 685.2 billion (U.S.\$182.7 billion) in 2002 to SAR 44.3 billion (U.S.\$11.8 billion) in 2014. As a consequence, Saudi Arabia’s debt-to-GDP ratio decreased from 96.4 per cent. of nominal GDP in 2003 to 1.6 per cent. of nominal GDP in the year ended 31 December 2014, one of the lowest of any country in the world. However, given the significant contribution of

the oil sector to Saudi Arabia's economy, the significant decline in global oil prices since mid-2014 has resulted in substantially lower oil exports by value and therefore lower Government revenues.

In the fiscal year 2014, the Government recorded a budget deficit equivalent to 2.3 per cent. of Saudi Arabia's nominal GDP for the year ended 31 December 2014. In the fiscal year 2015, this increased to a budget deficit equivalent to 14.9 per cent. of Saudi Arabia's nominal GDP for the year ended 31 December 2015. This increased budget deficit was principally due to a significant decline in the value of Saudi Arabia's exports, and therefore lower Government revenues, as a result of the sustained decline in global oil prices since mid-2014. In the fiscal year 2016, the budget deficit decreased to SAR 311.5 billion (U.S.\$83.1 billion), equivalent to 12.9 per cent. of Saudi Arabia's nominal GDP for the year ended 31 December 2016, excluding an expenditure amount of SAR 105.0 billion (U.S.\$28.0 billion) during the fiscal year relating to settling due payments from prior years. Based on preliminary figures, in the fiscal year 2017 the budget deficit decreased to SAR 238.4 billion (U.S.\$63.6 billion). The Government's actual deficit further decreased to SAR 173.9 billion (U.S.\$46.4 billion) for the fiscal year 2018, equivalent to 5.9 per cent. of Saudi Arabia's nominal GDP for the year ended 31 December 2018. The Ministry of Finance has estimated that Saudi Arabia's budget deficit for the fiscal year 2019 will be SAR 130.7 billion (U.S.\$34.9 billion).

Value added tax

On 1 January 2018, the Government began implementing value added tax (VAT) at a basic rate of 5.0 per cent (with the rate increased to 15.0 per cent. from 1 July 2020). VAT is expected to become one of the main sources of non-oil revenues in Saudi Arabia.

Inflation

Based on preliminary figures, in the three month period ended 30 June 2019, Saudi Arabia's CPI remained stable at 105.7. In the twelve month period ended 30 June 2019, the CPI Index declined by 1.6 per cent. In the year ended 31 December 2018, Saudi Arabia had an inflation rate of 2.5 per cent. compared to a deflation rate of 0.8 per cent. in the year ending 31 December 2017 and an inflation rate of 2.0 per cent. and 1.3 per cent. in the years ended 31 December 2016 and 2015, respectively. The following table sets forth the consumer price index (the **CPI Index**) and the percentage change of consumer prices in Saudi Arabia for each of the periods indicated:

| | Three months ended 30 September | Twelve months ended 30 September | Year ended 31 December | | | |
|--------------------------|---------------------------------|----------------------------------|------------------------|-------|-------|-------|
| | 2019 ⁽²⁾ | 2019 ⁽²⁾ | 2018 | 2017 | 2016 | 2015 |
| CPI Index ⁽¹⁾ | | 106.1 | | | | |
| ..... | 106.1 | | 107.3 | 104.7 | 105.6 | 103.5 |
| CPI Index Inflation (%) | | (1.1) | | | | |
| ..... | 0.4 | | 2.5 | (0.8) | 2.0 | 1.3 |

Source: GASTAT

Notes:

(1) CPI index based on 2013=100

(2) Preliminary figures

In the three month period ended 30 September 2019, the CPI Index increased by 0.4 per cent. to reach 106.1. In the twelve month period ended 30 September 2019, the CPI Index decreased by 1.1 per cent. The main contributor to the decrease was a 6.3 per cent. decrease in housing, water, electricity, gas and other fuels (which accounts for 25.3 per cent. of the total CPI Index).

Population and demographics

The population of Saudi Arabia was estimated by GASTAT to reach 34.2 million as at 31 July 2019, representing growth of 2.4 per cent. as compared to 33.4 million as at 31 July 2018. Saudi Arabia has a young population, with

almost half the population being under the age of 30 and 31.5 per cent. under the age of 15 in 2019. The following table sets forth Saudi Arabia's population estimates as at 31 July 2019, 2018, 2017, 2016 and 2015, respectively.

| | As at 31 July | | | | |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| Male | 19,739,056 | 19,240,956 | 18,746,422 | 18,259,719 | 17,818,656 |
| Female..... | 14,479,113 | 14,172,704 | 13,866,424 | 13,527,861 | 13,243,413 |
| Total population..... | 34,218,169 | 33,413,660 | 32,612,846 | 31,787,580 | 31,062,069 |
| Population growth (annual %)..... | 2.4 | 2.5 | 2.6 | 2.3 | 2.4 |

Source: GASTAT

Notes:

(1) Preliminary estimates based on a demographics survey in 2016.

The non-Saudi portion of Saudi Arabia's total population comprises expatriates from neighbouring states as well as significant numbers of expatriates from Asia (mostly from India, Pakistan, Bangladesh, Indonesia and the Philippines), Europe, the Americas and other countries around the world. The official language of Saudi Arabia is Arabic, although English is widely spoken.

Employment

As at 31 December 2018, the total number of Saudi employed persons reached 3.1 million, of which 2.0 million, or 65.6 per cent., were male and 1.1 million, or 34.4 per cent., were female. Saudi nationals in the age group from 25 to 39 years constituted 52.9 per cent. of the Saudi labour force as at 31 December 2018.

The overall unemployment rate in Saudi Arabia (with respect to all nationalities) as at 31 December 2018 was 6.0 per cent., comprising an unemployment rate of 2.9 per cent. among males and 22.6 per cent. among females. The overall unemployment rate for Saudi nationals as at 31 December 2018 was 12.7 per cent., comprising an unemployment rate of 6.6 per cent. among Saudi males and 32.5 per cent. among Saudi females.

In light of the growing Saudi population, one of the Government's key objectives is to accommodate more Saudi citizens in the workforce and, over the past several years, the Government has been focused on taking measures to equip Saudi citizens with the skills required to become an effective part of the domestic workforce. These measures include the establishment of the Human Resources Development Fund in 2000, the key objective of which is to invest in the development of Saudi Arabia's workforce, particularly in the private sector. In cooperation with the General Social Insurance Organization, the Human Resources Development Fund and the General Organization for Technical and Vocational Training, the Ministry of Labour and Social Development has formulated a strategy that is centred on five main strands: sustainable job creation in the private sector; skill development; managing the Saudi/expatriate balance; providing the fundamental mechanisms for a healthy labour market; and improving social protection. One of the initiatives that has been launched is "Women in Retail", a programme aimed at increasing the number of employed women in the economy, particularly in the retail sector. This initiative fits into a broader series of initiatives that have enabled Saudi Arabia to increase the employment of women over the past few years, particularly in the private sector where female employment growth is significantly outpacing male employment growth, and also to create opportunities for the high proportion of women completing higher education in Saudi Arabia. This initiative, along with other initiatives, helped raise female employment in the private sector from 55,618 Saudi women as at 31 December 2010 to 2.5 million as at 31 December 2019.

Vision 2030 also places great emphasis on providing Saudi citizens with the necessary training and skills required for becoming an effective part of the workforce, in particular increasing the participation of Saudi citizens in the private sector, and it is anticipated that further initiatives will be launched to further these aims.

Interest rate development

The three-month Saudi Arabia Inter-Bank Offer Rate (SAIBOR) increased steadily from 1.8117 per cent. as at 31 December 2017, to 2.4510 per cent. as at 31 December 2018 and 2.4790 per cent. as at 31 August 2019. The increase in SAIBOR was mainly due to the increase in the repo and reverse repo rates.

The reverse repo rate was increased by SAMA in December 2016 from 50 basis points to 75 basis points, as a response to an increase in interest rates in the United States by the U.S. Federal Reserve, from 75 basis points to 150 basis points in December 2017 and to 250 basis points in December 2018, as a response to developments in international financial markets. The reverse repo rate was decreased to 225 basis points in August 2019. SAMA remains committed to maintaining its current exchange rate policy.

The following table sets forth the monthly average SAIBOR, repo rate and reverse repo rate as at 31 December 2019, 2018, 2017, 2016, 2015 and 2014, respectively.

| | As at 31 December | | | | | |
|------------------------------|-------------------|--------|--------|--------|--------|--------|
| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| SAIBOR (three-month average) | 2.6318 | | | | | |
| ..... |  | 2.4510 | 1.8114 | 2.0670 | 0.8804 | 0.9358 |
| Repo rate | 2.2500 | 3.0000 | 2.0000 | | | |
| ..... |  |  |  | 2.0000 | 2.0000 | 2.0000 |
| Reverse repo rate | 1.7500 | 2.5000 | 1.5000 | | | |
| ..... |  |  |  | 0.7500 | 0.5000 | 0.2500 |

Source: SAMA

In September 2019, SAMA reduced the repo rate to 2.500 and the reverse repo rate to 2.000. In order to allow for further transparency and reliability in the method of calculation of SAIBOR, on 21 November 2016, SAMA announced the appointment of Thomson Reuters as the benchmark administrator and calculation agent for SAIBOR. SAMA announced that a panel of banks will contribute initially to SAIBOR, which will then be calculated and administered by Thomson Reuters based on documented methodology and procedures aligned with the IOSCO Principles for Financial Benchmarks. On 3 March 2020, SAMA reduced the Repo rate by 0.50 per cent. to 1.7500 per cent. and on 16 March 2020, further reduced it by 0.75 per cent. to 1.0000 per cent. SAMA also reduced the Reverse Repo rate on 3 March 2020 by 0.50 per cent. to 1.2500 per cent. and on 16 March 2020, further reduced it by 0.75 per cent. to 0.5000 per cent. The cuts were implemented as a measure to preserve monetary stability given evolving global developments and following the U.S. Federal Reserve's benchmark interest rate cut.

Stock market

On 19 March 2007, the Council of Ministers approved the formation of Tadawul. According to data published by the World Federation of Exchanges as at 31 December 2018, Tadawul is the largest stock exchange in the MENA region in terms of market capitalisation, and is also one of the most diversified, with its listed companies covering a range of sectors, including petrochemicals, retail, financial services, construction and telecommunications, providing potential investors with investment opportunities in a wide variety of sectors.

The following table sets forth various stock market indicators in respect of Tadawul for each of the years ended 31 December 2019, 2018, 2017, 2016 and 2015, respectively.

| | Year ended 31 December | | | | |
|---|------------------------|--------|--------|--------|--------|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| Number of shares traded (millions) | | | | | |
| ..... | 33,060 | 37,820 | 43,297 | 67,729 | 65,920 |
| Value of shares traded (SAR billions) | | | | | |
| ..... | 880 | 871 | 836 | 1,157 | 1,661 |
| Market capitalisation (SAR billions) | | | | | |
| ..... | 9,025 | 1,859 | 1,690 | 1,682 | 1,579 |
| Number of executed transactions (thousands) | | | | | |
| ..... | 28,400 | 25,010 | 21,895 | 27,274 | 30,444 |

| | Year ended 31 December | | | | |
|-------------------------|------------------------|-------|-------|-------|-------|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| Tadawul All-Share Index | 8,389 | 7,827 | 7,226 | 7,210 | 6,912 |

Source: Tadawul

According to data published by Tadawul, as at 31 December 2019, 199 companies were listed on Tadawul with a total market capitalisation of SAR 9,025 billion (U.S.\$2,407 billion), an increase of 385.5 per cent. compared to a total market capitalisation of SAR 1,859 billion (U.S.\$496 billion) as at 31 December 2018, in turn an increase of 10.0 per cent. from a total market capitalisation of SAR 1,690.0 billion (U.S.\$450.1 billion) as at 31 December 2017. As at 31 December 2019, Tadawul All-Share Index stood at 8,389 points, an increase of 7.2 per cent. from 7,827 as at 31 December 2018, which itself was an increase of 8.3 per cent. from 7,226 as at 31 December 2017. In March 2018, FTSE Russell announced that Tadawul would be classified as a “Secondary Emerging Market” in the FTSE Global Equity Index Series from its previous status of “Unclassified”. In June 2018, MSCI announced that Tadawul would be upgraded to “Emerging Market” status from its previous status of “Standalone Market”. Tadawul was included in MSCI’s Emerging Market Index in two phases in May 2019 and August 2019.

Credit rating

Saudi Arabia has been assigned credit ratings by Moody’s and Fitch. S&P also assigns a credit rating to Saudi Arabia on an unsolicited basis. The following table sets forth the credit rating assigned to Saudi Arabia by each of these rating agencies:

| | Moody’s | Fitch | S&P (unsolicited) |
|----------------------------|----------|--------|-------------------|
| Long-term foreign currency | A1 | A | A- |
| Outlook | Negative | Stable | Stable |

Moody’s downgraded its credit rating of Saudi Arabia from Aa3 to A1 (Stable) in May 2016, which was affirmed in April 2018, and while the credit rating of A1 was affirmed again by Moody’s in May 2020, the outlook was cut from Stable to Negative. Fitch also downgraded its credit rating of Saudi Arabia from AA- to A+ (Stable) in March 2017. Furthermore, S&P, which rates Saudi Arabia on an unsolicited basis, cut Saudi Arabia’s foreign and local currency credit ratings by two levels from A+/A1 (Negative) to A-/A2 (Stable) in February 2016, which was affirmed in March 2019. For each of these rating downgrades, the relevant ratings agency cited a fall in oil prices having led to a material deterioration in Saudi Arabia’s credit profile and the expectation of an increased Government budget deficit. In September 2019, Fitch further downgraded Saudi Arabia’s rating to the current A (Stable), citing a revised assessment of the vulnerability of Saudi Arabia’s economic infrastructure to regional military threats and continued deterioration in Saudi Arabia’s fiscal and external balance sheets.

Each of Fitch, Moody’s and S&P is established in the European Union and is registered under the CRA Regulation. As such, each of Fitch, Moody’s and S&P is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.

Foreign investment

Since Saudi Arabia’s accession to the WTO in December 2005, the Government has made significant progress towards developing and maintaining policies that favour an open legal and business environment to facilitate foreign capital investment. The Government is aiming to increase and encourage foreign investment by focusing on several key sectors, including transport, healthcare, building materials, tourism, mining, automobile manufacturing and industrial equipment, among others.

The major sectors attracting foreign direct investment (FDI) into Saudi Arabia have been the construction and contracting, real estate and petrochemicals sectors. Saudi Arabia’s total inward FDI stock was U.S.\$230.8 billion as at 31 December 2018. In the year ended 31 December 2018, Saudi Arabia’s inward FDI flows were U.S.\$3.2 billion. Saudi Arabia’s inward FDI flows have declined since 2012, which can principally be attributed to the 2008-09 global economic crisis, as well as political unrest in the MENA region during this period. The following table sets forth Saudi Arabia’s inward FDI stock and inward FDI flows for each of the years ended 31 December 2018, 2017, 2016, 2015 and 2014, respectively.

| | Year ended 31 December | | | | |
|------------------|------------------------|-------|-------|-------|-------|
| | 2018 | 2017 | 2016 | 2015 | 2014 |
| | (U.S.\$ billions) | | | | |
| Inward FDI stock | 230.8 | 232.2 | 231.5 | 224.1 | 215.9 |
| Inward FDI flows | 3.2 | 1.4 | 7.5 | 8.1 | 8.0 |

Source: United Nations Conference on Trade and Development

The Saudi Arabian Foreign Investment Law requires all foreign investment in Saudi Arabia to be licensed by MISA. A foreign investor wishing to invest in Saudi Arabia must obtain a foreign investment licence from MISA, which will take the form of an industrial licence, a service licence or a trading licence. Minimum investment thresholds for foreign investors are published by MISA from time to time, and currently include the following thresholds: (a) SAR 30 million for each real estate development project; (b) SAR 30 million for 100.0 per cent. foreign-owned trade projects; and (c) SAR 26.7 million for trade projects in which Saudi shareholders own at least 25.0 per cent. of the share capital.

In June 2016, MISA announced new regulations permitting 100.0 per cent. foreign ownership in the wholesale and retail sector for businesses that produce and retail their own products. The new rules, which were approved by the Council of Ministers in June 2016, create an exception to the statutory cap on foreign ownership across several industry segments in Saudi Arabia, and are intended to encourage new entrants to Saudi wholesale and retail market, as well as to create additional training and technology transfer opportunities.

In a significant move aimed at attracting foreign investment and further strengthening Saudi Arabia's capital markets, in June 2015, the Capital Market Authority published regulations allowing Qualified Foreign Investors (QFIs) to directly invest in shares listed on Tadawul in accordance with the applicable regulations. Furthermore, in August 2016, the Capital Market Authority approved certain revisions to the existing regulations relating to participation by QFIs, which became effective in September 2016. Additionally, in June 2019, the Capital Market Authority's Instructions for the Foreign Strategic Investors' Ownership in Listed Companies came into effect whereby restrictions on foreign ownership in listed companies were relaxed, including allowing non-financial sector foreign investors to invest in the Saudi capital market as well as the removal of maximum or minimum limits on the ownership percentages of foreign investors in listed companies. These revisions are intended to further encourage participation by foreign investors by expanding the definition of a 'qualified foreign institution' and relaxing certain ownership thresholds and limits. It is anticipated that the opening of Tadawul to foreign investors will support increased participation by institutional investors and thereby reduce market volatility as well as encourage Saudi companies listed on Tadawul to adopt international best practices and benefit from the input of sophisticated foreign institutions. In March 2018, FTSE Russell announced that Tadawul would be classified as a "Secondary Emerging Market" in the FTSE Global Equity Index Series from its previous status of "Unclassified". Tadawul was included in MSCI's Emerging Market Index in two phases in May 2019 and August 2019 and its status upgraded to "Emerging Market" status from its previous status of "Standalone Market".

Vision 2030 envisages several measures aimed at attracting foreign investment and enhancing the confidence of foreign investors in Saudi Arabia's economy, including the streamlining of the visa regime applicable to business visitors, and the NTP 2020 has assigned to MISA specific targets relating to increase in foreign investment in Saudi Arabia. MISA, in coordination with a number of other Government institutions and ministries, has also launched the 'National Investment Plan', which aims to contribute to the diversification of the economy and increase productivity by attracting foreign investment in specified sectors with well-established investment opportunities.

MANAGEMENT AND EMPLOYEES

MANAGEMENT STRUCTURE

SEC's main management structure consists of a board of directors (the **Board**), an audit committee and an executive committee consisting of a team of executive officers (the **Executive Management**).

There are a number of other committees within SEC, in addition to the audit committee, that report to the Board or the Executive Management and are responsible for dealing with a range of operational and business matters including risk, human resources, and remuneration and nominations. For a description of these committees, see "*Management and Employees – Board Committees*"

Managing the day-to-day operations of SEC is the responsibility of the President and Chief Executive Officer of SEC (the **President and CEO**), Fahad bin Hussein Al-Sudairi, and other senior members of the Executive Management to whom the Board has delegated executive powers.

BOARD OF DIRECTORS AND SECRETARY TO THE BOARD

The Board consists of nine members, five of whom (including the Chairman) currently represent the PIF, and one of whom currently represents Saudi Aramco. The remaining three members are representatives from the private sector. The three independent board members are Eng. Abdulaziz bin Fahd Al-Khayyal, Dr. Abdulmalik bin Abdullah Al-Hogail and Eng. Isam bin Alwan AlBayat. The constitution of SEC's board of directors complies with Saudi Arabian company law, which states that directors must be appointed via an election in a cumulative voting process, and that one third of the board must comprise independent directors. Accordingly, SEC invites all shareholders to participate in the Board elections as candidates via a newspaper advertisement, and those shareholders who put themselves forward as candidates are reviewed by various committees including the nomination committee, the remuneration committee and the human resources committee. Those committees then submit a shortlist of candidates to the general assembly, and the Board of Directors are subsequently elected from such shortlist by the general assembly at the annual general meeting of shareholders. Board members are appointed for a term of no more than three years, and the CEO is appointed directly by the Board, and cannot be a Board member at the time of his appointment.

As of the date of this Prospectus, the Board comprises the following members, all of whom are non-executive members, in addition to the Secretary to the Board:

| <u>Name</u> | <u>Title</u> |
|---------------------------------------|---|
| H.E. Dr. Khaled bin Saleh Al Sultan | |
| ..... | Chairman – PIF Representative |
| Dr. Najm bin Abdullah Al-Zaid | |
| ..... | Vice Chairman – PIF Representative |
| Eng. Abdulaziz bin Fahd Al-Khayyal | |
| ..... | Board Member – Independent Representative |
| Dr. Abdulmalik bin Abdullah Al-Hogail | |
| ..... | Board Member – Independent Representative |
| Mr. Rashed bin Ibrahim Sharif | |
| ..... | Board Member – PIF Representative |
| Dr. Raed bin Nasser Al-Rayes | |
| ..... | Board Member – PIF Representative |
| Eng. Gerard Mestrallet | |
| ..... | Board Member – PIF Representative |
| Eng. Isam bin Alwan AlBayat | |
| ..... | Board Member – Independent Representative |

Eng. AbdulKarim bin Ali Al-Ghamdi

Board Member – Saudi Aramco Representative

Mr. Faisal bin Mohammed Al-Lazzam

Secretary to the Board

Each of the members of the Board (including the Chairman) have outside interests in entities other than SEC, including employment and/or directorships with third parties (as further described in the paragraphs below). Certain Board members also serve as Government ministers or with Governmental bodies and, in that capacity, could be involved in formulating or implementing Government policy which affects SEC's operations (see "Description of the SEC Group's business – Strategy" for a description of how Government policy affects SEC's strategy) and in a manner contrary to the approach they may otherwise take if acting in their capacity as directors of SEC. This could give rise to a potential conflict of interest in situations where they are involved in formulating or implementing any Government policy which is not necessarily in the interests of SEC. Except as disclosed in this paragraph, as at the date of this Prospectus, no member of the Board has any actual or potential conflict of interest between his duties to SEC and his private interests and/or other duties.

H.E. Dr. Khaled bin Saleh Al Sultan, Chairman of the Board – PIF Representative

Dr. Al-Sultan was elected as the Chairman of the Board by the general meeting of the shareholders in January 2018. He has served on the Board since 2018. He is currently the President of King Abdullah City for Atomic and Renewable Energy (**KACARE**) and a part time Consultant at the Royal Commission for Jubail and Yanbu. He is a former Rector of King Fahd University of Petroleum and Minerals and served as the Deputy Minister of Higher Education. Dr. Al-Sultan obtained a Bachelor's Degree in System Engineering from King Fahd University of Petroleum and Minerals, Saudi Arabia in 1985 and a PhD in Industrial Engineering and Operations Research from the University of Michigan in Ann Arbor, United States of America in 1990.

Dr. Najm bin Abdullah Al-Zaid, Vice Chairman – PIF Representative

Dr. Al-Zaid was elected to the Board by the general meeting of the shareholders in January 2018 and became Vice Chairman in September 2018. He has served on the Board since 2018. He serves as a member of the board of directors of the National Privatization Centre (a representative of the private sector), a member of the supervision and policies committee of Tadawul and a member of the audit committee in the Saudi Agricultural and Livestock Investment Company (**SALIC**). Dr. Al-Zaid is the former chief executive of the Governance and Legal Group of Al Rajhi Bank. He also served as a board member of the board of the Capital Market Authority. Dr. Al-Zaid obtained a Bachelor's Degree in Justice from Umm Al-Qura University, Saudi Arabia in 1994 and an S.J.D. from the George Washington University, United States of America in 2010.

Eng. Abdulaziz bin Fahd Al-Khayyal, Board Member – Independent Representative

Eng. Al-Khayyal was elected to the Board by the general meeting of the shareholders in January 2018. He has served on the Board since 2018. He currently serves as a board member of Halliburton Company and as a board member of Marathon Petroleum Corporation. He previously served as senior vice president of industrial relations at Saudi Aramco. Eng. Al-Khayyal obtained a Bachelor's Degree in Mechanical Engineering from the University of California, United States of America in 1977 and a Master's Degree in Business from the University of California, United States of America in 1979.

Dr. Abdulmalik bin Abdullah Al-Hogail, Board Member – Independent Representative

Dr. Al-Hogail was elected to the Board by the general meeting of the shareholders in January 2018. He has served on the Board since 2018. He serves as a board member of the Saudi National Shipping Company (**Bahri**). Dr. Al-Hogail also serves as board member of the Alinma Investment Company. Dr. Al-Hogail obtained a Bachelor's Degree in Accounting from King Saud University, Saudi Arabia and a PhD in Accounting from Case Western Reserve University, United States of America.

Mr. Rashed bin Ibrahim Sharif, Board Member – PIF Representative

Mr. Sharif was elected to the Board by the general meeting of the shareholders in January 2018. He has served on the Board since 2018. He is currently the director general of Saudi investments in the PIF. Mr. Sharif is the former chief executive officer of Riyadh Bank. He obtained a Bachelor's Degree in Business from King Fahd University of Petroleum and Minerals, Saudi Arabia, and a Master's Degree in Business from Prince Sultan University.

Dr. Raed bin Nasser Al-Rayes, Board Member – PIF Representative

Dr. Al-Rayes was elected to the Board by the general meeting of the shareholders in January 2018. He has served on the Board since 2018. He is the chief accountant at the Ministry of Energy. He served as the deputy chief executive officer and the general manager of Arab Petroleum Investments Corporation (APICORP) and he was the chief executive officer and the president of investment banking in Al Rajhi Capital. Dr. Al-Rayes serves as a member of the audit committee of the Saudi Industrial Development Fund (SIDF) and as a board member of APICORP Bahri Oil Shipping Fund. Dr. Al-Rayes obtained a Bachelor's Degree of Islamic Economics from Imam Muhammad bin Saud Islamic University, Saudi Arabia in 1999, and a PhD in Philosophy in Business Management from Bradford University, United Kingdom in 2006.

Eng. Gerard Mestrallet, Board Member – PIF Representative

Eng. Mestrallet was elected to the Board by the general meeting of the shareholders in January 2018. He has served on the Board since 2018. He is the chairman of the board of directors of ENGIE and chairman of the board of directors at Suez. He is a member of the Supervisory Board of Siemens AG and Director of Société Générale. At the international level, Eng. Mestrallet is also a member of the Shanghai and Beijing Mayors' International Economic Advisory Council and Honorary Chairman of the Chongqing Mayor's International Economic Advisory Council. In addition, he sits on the International Board of JP Morgan Chase and on the International Board of the Brookings Institution. Eng. Mestrallet is a graduate of the École Polytechnique, a Civil Aviation Engineer and former student of the École Nationale d'Administration.

Eng. AbdulKarim bin Ali Al-Ghamdi, Board Member – Saudi Aramco Representative

Mr. Al-Ghamdi was elected to the Board by the general meeting of the shareholders in January 2018. He has served on the Board since 2018. He is currently the chief executive officer of energy systems at Saudi Aramco. He was the budget manager and executive assistant in Petron Corporation and a member of the Strategic Transformation Office of Saudi Aramco. He is the chairman of the board of Al Fadhili Generation Company and a board member of Power and Water Utility Company (Marafiq). Mr. Al-Ghamdi obtained a Bachelor's Degree in Chemical Engineering from King Fahd University of Petroleum and Minerals, Saudi Arabia and a Master's Degree in Chemical Engineering from Pittsburgh University, United States of America.

Eng. Isam bin Alwan Al-Bayat, Board Member – Independent Representative

Eng. Al-Bayat was elected to the Board by the general meeting of the shareholders in January 2018. He has served on the Board since 2006. He is the vice president of the electricity division of Saudi Aramco. Eng. Al-Bayat was also the vice president of the engineering division of Saudi Aramco. He was vice president of New Business Development of Saudi Aramco. He is a former president and chief executive officer of Saudi Refining Inc. in Houston, Texas, United States of America. Eng. Al-Bayat obtained a Bachelor's Degree in Electrical Engineering from the University of Basra, Iraq in 1971 and a Master's Degree in Electrical Engineering from King Fahd University of Petroleum and Minerals, Saudi Arabia in 1981.

Mr. Faisal bin Mohammed Al-Lazzam, Secretary to the Board

Mr. Al-Lazzam is the Secretary to the Board, and is also Senior Vice President of Legal Affairs. He previously held the position of Vice President of Insurance Operations at SEC. Mr. Al-Lazzam was the Vice President and Relationship Manager at Mobily and the Marketing Manager at Kingdom. He holds Master's Degrees from both King Saud University and University of Hull, United Kingdom.

As at the date of this Prospectus, no individual member of the Board has any actual or potential conflict of interest between his duties to SEC and his private interests and/or other duties. The address of each member of the Board is the registered office of SEC.

BOARD COMMITTEES

Audit committee

Based on nominations by the Board, the ordinary general assembly appoints the members of the audit committee, which consists of five members who are not executive members of the Board but who can be shareholders of SEC. The current members of the audit committee are Dr. Abdulmalik bin Abdullah Al-Hogail (chairman of the committee), Eng. Isam bin Alwan AlBayat (vice-chairman of the committee), Yahya Bin Ali Al-Jabr, Waleed Ibraheem Shokry and Suliman Abdulaziz Al-Twijry. The audit committee is responsible for monitoring the financial affairs of SEC and its internal corporate governance. The audit committee reports to the Board and met ten times in 2019.

Executive committee

The executive committee comprises five members who are selected by the Board. The current members of the executive committee are H.E. Dr. Khaled bin Saleh Al Sultan (the chairman of the Committee), Eng. Gerard Mestrallet, Eng. AbdulKarim bin Ali Al-Ghamdi, Rashed bin Ibrahim Sharif and Mohammad bin Ibrahim Albulaihed. The executive committee is responsible for reviewing plans and studies in relation to the restructuring of SEC's activities, reviewing annual budgets and reports, reviewing project proposals submitted by SEC's executive management and the studies, plans, and financing aspects relating to them, routinely reviewing SEC's performance against previous forecasts, and looking into all matters delegated to it by the Board. The executive committee reports to the Board and meets once every two months in ordinary circumstances and, upon the chairman's or President and CEO's request, in emergency or extraordinary circumstances. The executive committee met seven times in 2019.

Remuneration, nomination and human resources committee

The remuneration, nomination and human resources committee comprises five members who are selected by the Board. The current members of this committee are Abdulaziz bin Fahd Al Khayyal (chairman of the committee), Dr. Raed bin Nasser Al-Rayes, H.E. Dr. Khaled bin Saleh Al Sultan, Dr. Najm bin Abdullah Al- Zaid and Eng. AbdulKarim bin Ali Al-Ghamdi. The remuneration, nomination and human resources committee is responsible for annually reviewing the required skills for Board membership and recommending new membership nominations to the Board in accordance with approved policies, reviewing the Board's organisational structure, ensuring that there are no conflicts of interest in the event that a Board member is also a board member or shareholder of another company which provides services to SEC and developing clear policies for the compensation and remuneration of Board members and senior executives. The committee is also responsible for reviewing SEC's human resources policies and regulations, including SEC's salary structure, benefits and allowances and recruitment standards and for nominating SEC's President and CEO and vice presidents and appointing sector heads. The committee reports to the Board and met ten times in 2019.

Risk and compliance committee

The risk and compliance committee comprises four members who are selected by the Board. The current members of this committee are Dr. Najm bin Abdullah Al-Zaid (chairman of the committee), Eng. Isam bin Alwan AlBayat, Dr. Abdulmalik bin Abdullah Al- Hogail and Dr. Raed bin Nasser Al-Rayes. The risk committee is responsible for supervising the preparation and adoption of a suitable structure for SEC's risk management, defining and adopting management tasks and preparing rules and regulations that enable the risk committee to effectively perform its role. The risk committee also identifies the main risks relating to SEC's operation, applies suitable systems for managing risks, sets policies and takes decisions relating to matters of financial or other risks and informs the Board of the risks facing SEC's operation. The risk committee conducts a periodic review of performance quality, safety and the effectiveness of risk management and ensures that the strategy of SEC includes defining and understanding the main risks the company may face as it strives to achieve its goals through strategies and work plans. The risk committee met six times in 2019.

EXECUTIVE MANAGEMENT

The table below sets out details of SEC's executive management team.

| Name | Title |
|--------------------------------------|---|
| Mr. Fahad bin Hussein Al-Sudairi | President and CEO |
| Engineer Ibrahim Bin Fahad Al-Jarbou | CEO of National Grid Company |
| Mr. Osama bin Abdulwahab Khawandanah | CEO of Saudi Company for Power Purchase |
| Dr. Ahmed bin Abbas Sindi | CEO of Dawiyat Telecom Company |

| | |
|---|--|
| <u>Mahdi Bin Nasser Al-Dosary</u> | <u>CEO of Saudi Electricity for Projects Development Company</u> |
| <u>Engineer Riyadh Bin Fahad Al-Zamil</u> | <u>Executive Vice President – Generation</u> |
| <u>Engineer Khaled Bin Hamad Al-Gnoon</u> | <u>Executive Vice President – Distribution and Customer Services</u> |
| <u>Mr. Abdullah Bin Abdulmohsen Al-Madhi</u> | <u>Executive Vice President – Services and Contracts</u> |
| <u>Mr. Abdulrahman bin Mohammed Al-Obayed</u> | <u>Senior Vice President – Human Resources</u> |
| <u>Mr. Faisal bin Mohammed Al-Lazzam</u> | <u>Senior Vice President – Legal Affairs</u> |
| <u>Mr. Humoud bin Awdah Al-Ghubaini</u> | <u>Senior Vice President – Communications and Public Relations</u> |
| <u>Mr. Manish Manchandya</u> | <u>Chief Financial Officer and Executive Vice President – Finance</u> |
| <u>Mr. Abdulwahab bin Hamza bin Kheshaim</u> | <u>Senior Vice President–Internal Auditing</u> |
| <u>Engineer Khalid Bin Saad Al-Rashed</u> | <u>Executive Vice President – Information Technology & Digital Transformation (acting) and Strategic Planning & Business Development</u> |

As at the date of this Prospectus, there are no potential or actual conflicts of interest between the private interests and other duties of executive management listed above and their duties to SEC.

Mr. Fahad bin Hussein Al-Sudairi, President and CEO

Mr. Al-Sudairi is the President and CEO, and was appointed to this position on 12 November 2019, after joining SEC in 1994 and having held a number of positions, including Executive Vice President, Finance, Planning and Performance Monitoring and Chief Financial Officer. Mr. Al-Sudairi holds a Bachelor's Degree in Accounting from the University of North Dakota, United States of America.

Engineer Ibrahim Bin Fahad Al-Jarbou - CEO of National Grid Company

Eng. Al-Jarbou is the CEO of National Grid SA Company. He previously held the positions of Vice President Grid Maintenance, Vice President – HV Projects and Department Manager –Projects Central at National Grid. He also worked for SEC as Division Manager – Construction in Riyadh City, Division Manager – Budgets and Forecasting COA, O&M Support Section Head and Electrical Design Engineer. He also worked at Schneider Company as a Project Planner. Eng. Al-Jarbou is chairman of the board of directors of Dawiat Telecommunication Company and holds a Bachelor's Degree in Electrical Engineering from King Saud University.

Mr. Osama bin Abdulwahab Khawandanah - CEO of Saudi Company for Power Purchase

Mr. Khawandanah is the Senior Vice President of Energy, Trading and Ventures. He previously held the position of Senior Vice President of Energy and Partnership at SEC. Mr. Khawandanah was a Member of the Board of Directors of Saudi Energy Procurement Company and he was the Chairman of the Board of Directors of Saudi Green Company for Carbon Services. He holds a Master's Degree in Accounting from Ball State University, United States of America and a Master's Degree in Accounting from San Diego State University, United States of America.

Dr. Ahmed bin Abas Sindi – CEO of Dawiyat Telecom Company

Dr. Sindi is the CEO of Dawiyat Telecom Company. Previously, Dr. Sindi worked as the CEO of Saudi Arabian Trading & Construction Company, the CEO of Etihad Atheeb Telecommunications Company, CEO of Makkah Telecom Company, the deputy governor of IT at the Communications and Information Technology Commission, and the CEO of Globalstar Saudi Arabia Company. He has also been a director of the Saudi Industrial Property Authority. He holds a PhD in Industrial and Operational Engineering from Ann-Arbor Michigan University, United States of America.

Mr. Mahdi Bin Nasser Al-Dosary, CEO of Saudi Electricity for Projects Development Company

Mr. Al-Dosary is the CEO of SEC Project Development Company. He joined SEC in 1995 and has wide experience across the fields of power and energy. He was the executive director of engineering and projects at SEC from 2013 to 2018. He has also served as chairman of GCC Electrical Testing Laboratory since December 2015. He has previously served as a member of the board of managers of SWPC. Mr. Al-Dosary, is a member of different international organisations, such as Cigre and IEEE, and holds a Master's Degree in Business Administration from Massachusetts Institute of Technology (MIT), United States of America, and a Bachelor's Degree in Engineering from King Saud University.

Engineer Riyadh Bin Fahad Al-Zamil, Executive Vice President – Generation

Eng. Al-Zamil is the Executive Vice President of the generation business line. He has previously held the position of Executive Director of Generation Operations – Central Area. Eng. Al-Zamil also previously worked with SEC as the technical services department manager, power plant manager and has held engineering, operation and maintenance roles with Saudi Aramco and SABIC. He holds a Bachelor's Degree in Applied Mechanical Engineering from King Fahd University of Petroleum and Minerals and a Master's Degree in Innovation and Global Leadership from Sloan School of Management – Massachusetts Institute of Technology (MIT), United States of America.

Mr. Abdullah Bin Abdulmohsen Al-Madhi, Executive Vice President – Services and Contracts

Mr. Al-Madhi is the Executive Vice President of Services and Contracts, and a Member of the Board of Directors of Dawiyat Telecom Company and the Board of Directors of Saudi Energy Procurement. He previously held the position of Executive Director of Central Sector of Distribution and Customer Services. Mr. Al-Madhi obtained his Master's in Business Administration from Massachusetts Institute of Technology (MIT), United States of America, and his Master's Degree in Business from King Saud University, Saudi Arabia. He holds a Bachelor's Degree in Applied Electrical Engineering from King Fahd University of Petroleum & Minerals, Saudi Arabia.

Engineer Khaled Bin Hamad Al-Gnoon, Executive Vice President – Distribution and Customer Services

Eng. Al-Gnoon is the Executive Vice President, Distribution and Customer Services. Eng. Al-Gnoon has previously held positions as the Executive Director of the Central Sector for Distribution and Customer Services and the Electricity Department Manager (Hail Department) at SEC, and has worked as the head of several divisions in the Hail Electricity Department at SEC. He obtained his Bachelor of Electrical Engineering from the King Fahd University of Petroleum and Minerals in 1987, and holds a Master's Degree in Business Administration from the University of Dublin.

Mr. Abdulrahman bin Mohammed. Al-Obayed, Senior Vice President – Human Resources

Mr. Al-Obayed is SEC's acting Senior Vice President of Human Resources. He is responsible for organization and human resource planning, human resource development, and human resource services. He joined Saudi Consolidated Electric Company in 1992 as a Material Forecaster in the Materials Management Department and was subsequently promoted to the position of Department Manager of Change Management and Continuous Improvement. Before assuming the role of acting Senior Vice President of Human Resources, Mr. Al-Obayed was the Executive Director of Organization and Human Resource Planning. Mr. Al-Obayed obtained a Bachelor's Degree in Public Administration in 1993 from the College of Administration at King Saud University, Saudi Arabia, and is a member of the Saudi Society of Management, the Gulf Society of Project Management and the

Saudi Counsel of Quality. Mr. Al-Obayed holds a Master's Degree in Advanced Human Resource Management from the Ross Business School at the University of Michigan, United States of America.

Mr. Faisal bin Mohammed Al-Lazzam, Senior Vice President – Legal Affairs

Mr. Al-Lazzam is the Senior Vice President of Legal Affairs. He previously held the position of Vice President of Insurance Operations at SEC. Mr. Al-Lazzam was the Vice President and Relationship Manager at Mobily and the Marketing Manager at Kingdom. He holds Master's Degrees from both King Saud University and University of Hull, United Kingdom.

Mr. Humoud bin Awdah Al-Ghubaini, Senior Vice President – Communications and Public Relations

Mr. Al-Ghubaini is the Senior Vice President of Communications and Public Relations. Prior to that, he was a Senior Vice President at SEC. He previously held the positions of Vice President and Relations General Manager at Etihad Etisalat Company (Mobily) and Marketing Manager at Kingdom Holding Company. He holds Master's Degrees from King Saud University in Saudi Arabia and Hull University in the United Kingdom and a Bachelor's Degree from Imam Muhammad ibn Saud Islamic University.

Mr. Manish Manchandya, Group Chief Financial Officer and Executive Vice President – Finance

Mr. Manchandya is currently the Executive Vice President of Finance and Group Chief Financial Officer. Prior to being appointed as Chief Financial Officer, he held various positions at SEC within the Treasury and Finance teams since joining SEC in 2008, with the most recent being the Executive Director of Treasury. Mr. Manchandya has extensive experience in Treasury related matters and has been actively involved in the corporate financing activities of SEC. He is also part of various committees within SEC, with the most notable being Chairman of the Investment Committee, which is tasked with approving the individual capital projects of SEC's capital investment plan as approved by the Board. Mr. Manchandya has completed his Executive Program in General Management from MIT Sloan School of Business and holds an ACE certificate from MIT Sloan. He also holds an MBA in Finance from ICFAI Business School.

Mr. Abdulwahab bin Hamza bin Kheshaim, Senior Vice President, Internal Auditor

Mr. Kheshaim is the Senior Vice President, internal auditor. He previously held the position of Head of the Auditing Department at SEC. He has also worked at Saudi Telecom Company and the General Social Insurance Organization. He holds a Bachelor's Degree in Accounting from King Saud University, Saudi Arabia.

Mr. Khalid Bin Saad Al-Rashed, Executive Vice President – Information Technology & Digital Transformation (acting) and Strategic Planning & Business Development

Mr. Al-Rashed is the Executive Vice President – Information Technology & Digital Transformation (acting) and Strategic Planning & Business Development. He has previously held the position of chief executive officer of Saudi Electricity for Projects Development Company. Before joining SEC in 2005, Mr. Al-Rashed worked at ABB Company for 11 years. He holds a Bachelor's Degree in Electrical Engineering from King Fahd University of Petroleum and Minerals.

APPOINTMENT OF DIRECTORS AND PRESIDENT AND CEO

The representatives of the PIF on the Board of SEC are initially nominated by the PIF and thereafter elected by the general meeting of the shareholders, normally for a period of three years. The representative of Saudi Aramco is nominated by Saudi Aramco and thereafter elected by the general meeting of the shareholders, normally for a period of three years. As at the date of this Prospectus, no members of the Board have, or have had, any related party contracts with SEC.

The President and CEO is appointed by the Board, which also determines his remuneration and the terms of his appointment. The current President and CEO was appointed by the Board on 12/11/2019 by Board resolution No. 12/177/2019, and assumed office on 12/11/2019.

The current Chief Financial Officer is Mr. Manish Manchandya.

EMPLOYEES

As at 31 December 2019, the SEC Group had a workforce of 33,957, of which 92.5 per cent. are Saudi Arabian nationals.

The following table sets out the SEC Group's employees by category of activity as at 30 June 2018.

| Position | Number of employees |
|----------------------------------|----------------------------|
| Senior-level executive positions | 52 |
| Mid-level manager positions | 569 |
| Other positions | 33,336 |
| Total positions | 33,957 |

For the purpose of the above table:

Senior-level leader positions include the President and CEO, Executive Vice President, Senior Vice President and Executive Directors;

Mid-level manager positions include all Managers, Section Heads and Superintendents; and

Other positions include any job title not in Senior-level leader positions or Mid-level manager positions.

Saudisation

In order to increase the Saudisation level of its workforce, SEC has established numerous training centres geared to enhancing the skills of its Saudi Arabian employees.

CORPORATE GOVERNANCE REGULATIONS

SEC has implemented all of the mandatory rules of the Corporate Governance Regulations issued by the Capital Market Authority (the **Corporate Governance Regulations**). SEC has also implemented the majority of the advisory guidelines set out in the Corporate Governance Regulations.

The remuneration, nomination and human resources committee has passed a resolution pursuant to which Legal Affairs has been assigned responsibility for preparing SEC's corporate governance rules with the aim of implementing the balance of the advisory guidelines under the Corporate Governance Regulations.

COMPENSATION OF DIRECTORS AND EXECUTIVE MANAGEMENT

The remuneration of the members of the Board is set by a proposal made by the Board to the general meeting of the shareholders of SEC, which has the power to either approve or reject the Board's proposal. For the years ended 2017, 2018 and 2019, the aggregate remuneration (including benefits in kind) paid to the members of the Board was SAR 4.63 million, SAR 5.20 million and SAR 5.69 million, respectively.

EMPLOYEE BENEFITS

Savings scheme

SEC operates an elective savings scheme as an incentive for its employees and to further attract qualified Saudi personnel. This programme aims to motivate Saudi employees and allows them to benefit from their savings at retirement or at the end of their service.

Under the savings programme, SEC extracts a portion of the participating employee's salary and invests it for the employee's benefit in low-risk investment funds, in accordance with Islamic investment conditions. SEC proportionally matches each employee's contribution on a sliding scale based on years of membership in the savings scheme and fully matches the employee's monthly contribution once the employee has participated in the savings scheme for ten years.

Loans scheme

SEC provides its Saudi employees with loans as part of a *Shari'ah*-compliant (*murabaha*) financing programme which enables employees to own, construct or continue the construction of accommodation. Such financing is

provided for an amount of up to SAR 1.2 million and with a term of up to twenty years. SEC contributes by bearing 70 per cent. of the costs of such financing, with such contribution ending upon the termination of the employee's service, for whatever reason that may be.

During 2019, 254 employees benefitted from this scheme.

TERMS AND CONDITIONS OF THE 2025 CERTIFICATES

The following are the Terms and Conditions of the 2025 Certificates which (subject to modification and except for the text in italics) will be endorsed on the Global Certificate (as defined below) in respect of the 2025 Certificates and each 2025 Certificate in definitive form (if issued).

Each of the U.S.\$650,000,000 Certificates due 2025 (the **Certificates**, which expression shall in these Conditions, unless the context otherwise requires, include any further certificates issued pursuant to Condition 19 and forming a single series with the Certificates) is issued by Saudi Electricity SUKUK Company 5 (in its capacity as issuer, the **Issuer**) and represents an undivided beneficial ownership interest in the Trust Assets (as defined below) held on trust (the **Trust**) for the holders of such Certificates pursuant to a declaration of trust (the **Declaration of Trust**) dated 17 September 2020 (the **Closing Date**) made between Saudi Electricity SUKUK Company 5 (in its capacity as trustee, the **Trustee**), HSBC Corporate Trustee Company (UK) Limited as the Trustee's delegate (the **Delegate**) and Saudi Electricity Company (**SEC**).

Payments relating to the Certificates will be made pursuant to an agency agreement dated the Closing Date (the **Agency Agreement**) made between the Trustee, the Delegate, SEC and HSBC Bank plc as principal paying agent (in such capacity, the **Principal Paying Agent** and, together with any further or other paying agents appointed from time to time in respect of the Certificates, the **Paying Agents**), as replacement agent (together with any further or other replacement agents appointed from time to time in respect of the Certificates, in such capacity, the **Replacement Agent**), as transfer agent (in such capacity, a **Transfer Agent**, and, together with any further or other transfer agents appointed from time to time in respect of the Certificates, the **Transfer Agents**) and as registrar (the **Registrar**). The Paying Agents, the Registrar, the Transfer Agents and the Replacement Agent are together referred to in these Conditions as the **Agents**. References to the Agents or any of them shall include their successors.

The Certificateholders (as defined below) are entitled to the benefit of, are bound by, and are deemed to have notice of the Transaction Documents (as defined below) (copies of which are available for inspection during normal business hours at the specified offices of the Paying Agents).

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Transaction Documents. In these Conditions, words and expressions defined and rules of construction and interpretation set out in the Declaration of Trust shall, unless defined herein or the context otherwise requires, have the same meanings herein. In the event of any inconsistency between any such document, these Conditions will prevail.

Each initial Certificateholder, by its acquisition and holding of its interest in a Certificate, shall be deemed to authorise and direct the Trustee, on behalf of the Certificateholders: (a) to apply the sums paid by it in respect of its Certificate in acquiring the Trust Assets; and (b) to enter into each Transaction Document to which it is a party, subject to the provisions of the Declaration of Trust and these Conditions.

1. DEFINITIONS AND INTERPRETATION

Words and expressions defined in the Declaration of Trust and the Agency Agreement shall have the same meanings where used in these Conditions unless the context otherwise requires. In addition, in these Conditions the following expressions have the following meanings:

2030 Certificate Transaction Documents means the Purchase Agreement, the Ijara Agreement, the Servicing Agency Agreement, the Purchase Undertaking, the Sale Undertaking, the Substitution Undertaking, any Sale Agreement and any Substitution Transfer Agreement relating to the 2030 Certificates;

2030 Certificate Trust means the trust in respect of the 2030 Certificates declared pursuant to the Declaration of Trust;

2030 Certificate Trust Assets means the assets of the 2030 Certificate Trust;

2030 Certificateholders means the holders of the 2030 Certificates;

2030 Certificates means the U.S.\$650,000,000 Certificates due 2030 issued by the Issuer;

Additional Dissolution Distribution Amount has the meaning given to it in Condition 8.3;

Additional Ijara Period has the meaning given to it in the *Ijara* Agreement;

Additional Rental Amount means the amount of rental payable for the period from (and including) the date on which any Dissolution Distribution Amount falls due to (but excluding) the date on which such Dissolution Distribution Amount is actually paid;

Additional Service Charge Amount has the meaning given to it in the Servicing Agency Agreement;

Asset Exercise Notice has the meaning given to it in the Purchase Undertaking and the Sale Undertaking;

Asset Redemption Date has the meaning given to it in the Sale Undertaking;

Asset Redemption Notice has the meaning given to it in the Sale Undertaking;

Authorised Denomination(s) has the meaning given to it in Condition 2.1;

Bankruptcy Law means the Bankruptcy Law issued pursuant to Royal Decree No. M/50 dated 28/05/1439H (corresponding to 14/02/2018G) and its implementing regulations issued pursuant to the Council of Ministers Resolution No. 622 dated 24/12/1439H (corresponding to 4/09/2018G) and published in the official gazette on 30/12/1439H (corresponding to on 10/09/2018G) as amended, supplemented or restated from time to time;

Cancellation Notice means a cancellation notice in substantially the form of Schedule 5 to the Declaration of Trust;

Certificate means each certificate represented by the Global Certificate as described in Condition 2.1;

Certificateholders means the several Persons in whose names the Certificates are registered in the Register save that, for so long as the Certificates or any part of them are represented by a Global Certificate held on behalf of Euroclear and Clearstream, each Person (other than another clearing system) who has for the time being a particular aggregate face amount of such Certificates credited to his securities account in the records of Clearstream or Euroclear shall be deemed to be the Certificateholder in respect of the aggregate face amount of such Certificates for the purposes hereof other than for the purpose of payments in respect thereof, the right to which shall be vested, as against the Trustee, solely in the registered holder of such Global Certificate in accordance with and subject to the terms of the Global Certificate, and the expressions **holder** and **holder of Certificates** and related expressions shall (where appropriate) be construed accordingly;

a **Change of Control** shall occur if at any time:

- (a) the Government of the Kingdom of Saudi Arabia or any department or authority of the Government of the Kingdom of Saudi Arabia ceases to own, directly or indirectly, more than 50 per cent. of the issued share capital of SEC or to control, directly or indirectly, SEC; or
- (b) SEC ceases to own, directly or indirectly, more than 50 per cent. of the issued share capital of each Principal Subsidiary or to control, directly or indirectly, each Principal Subsidiary;

Change of Control Exercise Notice has the meaning given to it in Condition 10.3;

Change of Control Notice has the meaning given to it in Condition 10.3;

Change of Control Put Option has the meaning given to it in Condition 10.3;

Change of Control Put Option Date has the meaning given to it in Condition 10.3;

Change of Control Put Period has the meaning given to it in Condition 10.3;

Clearstream means Clearstream Banking S.A.;

Conditions means these terms and conditions of the Certificates;

control means the power to appoint and/or remove all or the majority of the members of the board of directors or other governing body of a Person or to control or have the power to control the affairs and

policies of that Person, whether through the ownership of share capital, the possession of voting power, contract, trust or otherwise;

Dispute has the meaning given to it in Condition 22.2;

Dissolution Date means, as the case may be:

- (a) the Scheduled Dissolution Date;
- (b) the Tax Redemption Date;
- (c) any Change of Control Put Option Date on which the outstanding Certificates are redeemed in full;
- (d) any Dissolution Event Redemption Date; and
- (e) any date on which the Certificates are redeemed in accordance with the provisions of Condition 10.5;

Dissolution Distribution Amount means, in relation to each Certificate, the sum of:

- (a) the outstanding face amount of such Certificate;
- (b) any accrued but unpaid Periodic Distribution Amounts relating to such Certificates (other than any Additional Dissolution Distribution Amount); and
- (c) any accrued but unpaid Additional Dissolution Distribution Amount relating to such Certificate;

Dissolution Event has the meaning given to it in Condition 14;

Dissolution Event Redemption Date has the meaning given to it in Condition 14;

Dissolution Request has the meaning given to it in Condition 14;

Encumbrance means any lien, pledge, mortgage, security interest, deed of trust, charge or other encumbrance or arrangement having a similar effect;

Euroclear means Euroclear Bank SA/NV;

Exercise Price has the meaning given to it in the Purchase Undertaking and the Sale Undertaking;

Extraordinary Resolution has the meaning given to it in Schedule 4 of the Declaration of Trust;

Face Amount means, at any time, the aggregate face amount of the Certificates then outstanding;

Global Certificate means the trust certificate in global form issued by the Trustee representing the Certificates;

Ijara means the *Ijara* lease created pursuant to the *Ijara* Agreement;

Ijara Agreement has the meaning given to it in Condition 6.1;

Ijara Assets has the meaning given to it in Condition 6.1;

Indebtedness means any indebtedness or guarantee or indemnity in respect of indebtedness for monies borrowed or raised (whether or not evidenced by bonds, debentures, notes or other instruments and including any obligations incurred in respect of Islamic financing arrangements);

Insurance Coverage Amount means an amount equal to the full reinstatement value of the *Ijara* Assets, which shall not be less than the aggregate Face Amount;

Joint Venture Company means an entity which is, at any particular time, jointly controlled (whether directly or indirectly) by SEC and any other Person or Persons;

LCIA has the meaning given to it in Condition 22.2;

Lessee has the meaning given to it in Condition 6.1;

Lessor has the meaning given to it in Condition 6.1;

Liability means any loss, damage, cost (excluding any cost of funding), charge, claim, demand, expense, judgment, action, proceeding or other liability whatsoever (including, without limitation in respect of Taxes) and including any value added tax or similar tax charged or chargeable in respect thereof and legal or other fees and expenses on a full indemnity basis and references to **Liabilities** shall mean all of these;

Material Subsidiary means, at any relevant time, a Subsidiary of SEC:

- (a) whose gross revenues (consolidated in the case of a Subsidiary which itself has Subsidiaries) or whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent in each case (or, in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated accounts of SEC and its Subsidiaries relate, are equal to) not less than 10 per cent. of the consolidated gross revenues of SEC, or, as the case may be, consolidated total assets, of SEC and its Subsidiaries taken as a whole, all as calculated respectively by reference to the then latest audited accounts (consolidated or, as the case may be, unconsolidated) of such Subsidiary and the then latest audited consolidated accounts of SEC and its Subsidiaries, provided that in the case of a Subsidiary of SEC acquired after the end of the financial period to which the then latest audited consolidated accounts of SEC and its Subsidiaries relate, the reference to the then latest audited consolidated accounts of SEC and its Subsidiaries for the purposes of the calculation above shall, until consolidated accounts for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such first-mentioned accounts as if such Subsidiary had been shown in such accounts by reference to its then latest relevant audited accounts, adjusted as deemed appropriate by SEC;
- (b) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of SEC which immediately prior to such transfer is a Material Subsidiary, provided that the transferor Subsidiary shall upon such transfer forthwith cease to be a Material Subsidiary and the transferee Subsidiary shall cease to be a Material Subsidiary pursuant to this Subparagraph (b) on the date on which the consolidated accounts of SEC and its Subsidiaries for the financial period current at the date of such transfer have been prepared and audited as aforesaid but so that such transferor Subsidiary or such transferee Subsidiary may be a Material Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of Subparagraph (a) above or, prior to or after such date, by virtue of any other applicable provision of this definition; or
- (c) to which is transferred an undertaking or assets which, taken together with the undertaking or assets of the transferee Subsidiary, generated (or, in the case of the transferee Subsidiary being acquired after the end of the financial period to which the then latest audited consolidated accounts of SEC and its Subsidiaries relate, generate gross revenues equal to) not less than 10 per cent. of the consolidated gross revenues of SEC, or represent (or, in the case aforesaid, are equal to) not less than 10 per cent. of the consolidated total assets of SEC and its Subsidiaries taken as a whole, all as calculated as referred to in Subparagraph (a) above, provided that the transferor Subsidiary (if a Material Subsidiary) shall upon such transfer forthwith cease to be a Material Subsidiary unless immediately following such transfer its undertaking and assets generate (or, in the case aforesaid, generate gross revenues equal to) not less than 10 per cent. of the consolidated gross revenues of SEC, or its assets represent (or, in the case aforesaid, are equal to) not less than 10 per cent. of the consolidated total assets of SEC and its Subsidiaries taken as a whole, all as calculated as referred to in Subparagraph (a) above, and the transferee Subsidiary shall cease to be a Material Subsidiary pursuant to this Subparagraph (c) on the date on which the consolidated accounts of SEC and its Subsidiaries for the financial period current at the date of such transfer have been prepared and audited but so that such transferor Subsidiary or such transferee Subsidiary may be a Material Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the

provisions of Subparagraph (a) above or, prior to or after such date, by virtue of any other applicable provision of this definition,

all as more particularly defined in the Declaration of Trust;

New *Ijara* Assets has the meaning given to it in Condition 6.1;

Non-recourse Financing means any indebtedness where:

- (a) any Security Interest created by SEC or a Subsidiary in respect of such indebtedness is limited solely to specific property;
- (b) the relevant creditors in respect of such indebtedness expressly agree to limit their recourse to such property and the revenues derived from such property or, in the case of any such indebtedness for the financing of all or part of the costs of the acquisition, construction or development of any project, to the project financed and the revenues derived from such project as the sole source of repayment in respect of such indebtedness; and
- (c) there is no other recourse to SEC or any Subsidiary in respect of any default by any Person in respect of such indebtedness;

Payment Business Day means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and New York and, in the case of presentation of a Certificate, in the place of the specified office of the Registrar or relevant Paying Agent, to whom the relevant Certificate is presented;

Periodic Distribution Amount means an amount representing a defined share of the Rental paid by the Lessee to the Lessor in accordance with Condition 8.1;

Periodic Distribution Date means 17 March and 17 September in each year, commencing on 17 March 2021, and subject to these Conditions, ending on 17 September 2025;

Periodic Distribution Period means the period from (and including) a Periodic Distribution Date (or, in the case of the first Periodic Distribution Period, from, and including, the Closing Date) to (but excluding) the next (or, in the case of the first Periodic Distribution Date, first) Periodic Distribution Date;

Permitted Reorganisation means any amalgamation, reorganisation, restructuring, merger, consolidation or similar arrangement, whereby the assets or undertakings of SEC or any Material Subsidiary are transferred to or otherwise vested in SEC or any other Material Subsidiary or the terms of which are approved by an Extraordinary Resolution;

Permitted Security Interest means:

- (a) any Security Interest on assets or property existing at the time SEC or any Subsidiary acquired such assets or property provided that such Security Interest was not created in contemplation of such acquisition;
- (b) any Security Interest securing Relevant Indebtedness of a Person existing at the time that such Person is merged into or consolidated with SEC or a Subsidiary provided that such Security Interest was not created in contemplation of such merger or consolidation and does not extend to any other assets or property of SEC or any Subsidiary;
- (c) any Security Interest created to secure a Non-recourse Financing;
- (d) any Security Interest incurred in connection with a Securitisation provided that the aggregate Relevant Indebtedness incurred in connection with such Securitisations shall not exceed at any time 15 per cent. of the consolidated total assets of SEC and its Subsidiaries, as shown in the Relevant Accounts; and
- (e) any renewal of or substitution for any Security Interest permitted by any of the preceding subclauses (a) through (d), provided that with respect to any such Security Interest, the principal

amount secured has not increased and the Security Interest has not been extended to any additional property (other than the proceeds of such property);

Person means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

Potential Dissolution Event means any condition, event or act which, with the giving of notice, lapse of time, declaration, demand, determination or fulfilment of any other applicable condition (or any combination of the foregoing), would constitute a Dissolution Event;

Principal Subsidiary means any Subsidiary of SEC to which all or a substantial part of SEC's electricity generation, transmission or distribution assets are transferred, excluding any *Ijara* Assets;

Proceedings has the meaning given to it in Condition 22.3;

Purchase Agreement has the meaning given to it in Condition 6.1;

Purchase Undertaking has the meaning given to it in Condition 6.1;

Record Date means, in the case of the payment of a Periodic Distribution Amount or the Dissolution Distribution Amount on the Scheduled Dissolution Date (as the case may be), the date falling on the 15th day before the relevant Periodic Distribution Date or the Scheduled Dissolution Date (as the case may be) and, in the case of the payment of any other Dissolution Distribution Amount, the date falling two Payment Business Days before the relevant Dissolution Date or other due date for payment of such amount;

Redemption *Ijara* Assets means the *Ijara* Assets leased by the Trustee to the Lessee pursuant to the *Ijara* Agreement to be transferred back to SEC in accordance with the Sale Undertaking;

Register has the meaning given to it in Condition 2.1;

Relevant Accounts means, at any time, the most recently available audited consolidated financial statements of SEC;

Relevant Indebtedness means any indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, sukuk obligations in respect of trust certificates, loan stock or other securities which for the time being are, or are intended to be, or are capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market;

Relevant Sukuk Obligation means any Sukuk Obligation where the trust certificates or other instruments, as the case may be, are, or are intended to be, or are capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market;

Renewal Notice has the meaning given to it in the *Ijara* Agreement;

Rental has the meaning given to it in the *Ijara* Agreement;

Rules has the meaning given to it in Condition 22.2;

Sale Agreement means any sale agreement entered into in connection with any Purchase Undertaking or Sale Undertaking;

Sale Undertaking has the meaning given to it in Condition 6.1;

Securities Act means the Securities Act of 1933, as amended;

Scheduled Dissolution Date means 17 September 2025;

SEC Event has the meaning given to it in Condition 14;

Security Interest has the meaning given to it in Condition 5;

Seller has the meaning given to it in Condition 6.1;

Servicing Agency Agreement has the meaning given to it in Condition 6.1;

Servicing Agent has the meaning given to it in Condition 6.1;

Securitisation means any securitisation of existing or future property and/or revenues, provided that:

- (a) any Security Interest created by SEC or a Subsidiary in connection therewith is limited solely to the property and/or revenues which are the subject of the securitisation
- (b) each Person participating in such securitisation expressly agrees to limit its recourse to the property and/or revenues so securitised as the principal source of repayment for the money advanced or payment of any other liability; and
- (c) there is no other recourse to SEC or any Subsidiary in respect of any default by any person under the securitisation;

Subsidiary means in relation to SEC, at any particular time, any Person other than a Joint Venture Company:

- (a) which is then under the control, directly or indirectly, of SEC; or
- (b) more than 50 per cent. of the issued share capital or ownership or other equity interests of which is then beneficially owned, directly or indirectly, by SEC;

Substituted *Ijara* Assets has the meaning given to it in Condition 6.1;

Substitution Transfer Agreement has the meaning given to it in Condition 6.1;

Substitution Undertaking has the meaning given to it in Condition 6.1;

Sukuk Obligation means any undertaking or other obligation to pay any money given in connection with the issue of trust certificates or other instruments issued in connection with any Islamic financing arrangements, whether or not in return for consideration of any kind;

Tax Redemption Date has the meaning given to it in Condition 10.2;

Taxes has the meaning given to it in Condition 11;

Total Loss Event has the meaning given to it in Condition 10.5;

Total Loss Shortfall Amount has the meaning given to it in Condition 6.1;

Transaction Account has the meaning given to it in Condition 6.1;

Transaction Documents means the Subscription Agreement, the Declaration of Trust, the Agency Agreement, the Purchase Agreement, the *Ijara* Agreement, the Servicing Agency Agreement, any Supplemental Purchase Agreement, any Declaration of Commingling of Assets, the Purchase Undertaking, the Sale Undertaking, the Substitution Undertaking, any Sale Agreement and any Substitution Transfer Agreement; and

Trust Assets has the meaning given to it in Condition 6.1.

2. FORM, DENOMINATION AND TITLE

2.1 Form and Denomination

The Certificates are issued in registered form in face amounts of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof (each an **Authorised Denomination**). A Certificate will be issued to each Certificateholder in respect of its registered holding of Certificates. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Certificateholders (the **Register**), which the Issuer will cause to be kept by the Registrar outside the Cayman Islands and the United Kingdom in accordance with the provisions of the Agency Agreement.

Upon issue, the Certificates will be represented by beneficial interests in the Global Certificate, in registered form, without coupons attached, which will be deposited with, and registered in the name of a nominee of, a common depository for Euroclear and Clearstream.

Certificates represented by the Global Certificate will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream.

2.2 Title

Title to the Certificates passes only by registration in the Register. The registered holder of any Certificate will (except as otherwise required by law) be treated as the absolute owner of the Certificates represented by the Certificate for all purposes (whether or not any payment thereon is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Certificate) and no Person will be liable for so treating the holder of any Certificate. The registered holder of a Certificate will be recognised by the Issuer as entitled to his Certificate free from any equity, set-off or counterclaim on the part of the Issuer against the original or any intermediate holder of such Certificate.

The Issuer and the Delegate may call for and shall be at liberty to accept and place full reliance on (as sufficient evidence thereof and shall not be liable to any Certificateholder by reason only of either having accepted as valid or not having rejected) an original Certificate or for so long as the Certificates are represented by the Global Certificate, a letter of confirmation purporting to be signed on behalf of Euroclear or Clearstream or any other relevant clearing system to the effect that at any particular time or throughout any particular period any particular Person is, was or will be shown in its records as having a particular aggregate face amount of Certificates credited to his securities account.

3. TRANSFERS OF CERTIFICATES

3.1 Transfers

Subject to Conditions 3.4 and 3.5, a Certificate may be transferred in an Authorised Denomination by depositing the Certificate, with the form of transfer on the back duly completed and signed, at the specified office of any of the Transfer Agents.

Transfer of interests in the Certificates represented by a Global Certificate will be effected in accordance with the rules of the relevant clearing system through which the interest is held.

3.2 Delivery of New Certificates

Each new Certificate to be issued upon any transfer of Certificates will, within five business days of receipt by the relevant Transfer Agent of the duly completed form of transfer endorsed on the relevant Certificate (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), be delivered at the specified office of the relevant Transfer Agent or be mailed by uninsured mail at the risk of the holder entitled to the Certificate to the address specified in the form of transfer. For the purposes of this Condition, **business day** shall mean a day on which banks are open for business in the city in which the specified office of the Transfer Agent with whom a Certificate is deposited in connection with a transfer is located. Where some but not all of the Certificates in respect of which a Certificate is issued are to be transferred, a new Certificate in respect of the Certificates not so transferred will, within five business days of receipt by the relevant Transfer Agent of the original Certificate, be delivered at the specified office of the relevant Transfer Agent or be mailed by uninsured mail at the risk of the holder of the Certificates not so transferred to the address of such holder appearing on the Register or as specified in the form of transfer.

3.3 Formalities Free of Charge

Registration of any transfer of Certificates will be effected without charge by or on behalf of the Issuer by the Registrar or any Transfer Agent but upon payment (or the giving of such indemnity as the Issuer, any Transfer Agent or the Registrar may reasonably require) by the transferee in respect of any stamp duty, tax or other governmental charges which may be imposed in relation to such transfer.

3.4 Closed Periods

No Certificateholder may require the transfer of a Certificate to be registered during the period of seven days ending on (and including) the due date for any payment of the Dissolution Distribution Amount or any Periodic Distribution Amount.

3.5 Regulations

All transfers of Certificates and entries on the Register will be made subject to the detailed regulations concerning transfer of Certificates scheduled to the Declaration of Trust. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Certificateholder who requests in writing a copy of such regulations.

Each Certificateholder shall be entitled to receive, in accordance with Condition 2.1, only one Certificate in respect of his entire holding of Certificates. In the case of a transfer of a portion of the face amount of a Certificate, a new Certificate in respect of the balance of the Certificates not transferred will be issued to the transferor in accordance with Condition 3.2.

4. STATUS AND LIMITED RECOURSE

4.1 Status

Each Certificate evidences an undivided beneficial ownership interest of the Certificateholders in the Trust Assets, subject to the terms of the Transaction Documents and these Conditions, and is a direct, unsubordinated, unsecured and limited recourse obligation of the Issuer. Each Certificate will at all times rank *pari passu*, without any preference or priority, with all other Certificates.

The payment obligations of SEC (in any capacity) under the Transaction Documents are and will be direct, unconditional, unsubordinated and unsecured obligations of SEC which rank (save for such obligations as may be preferred by provisions of law that are both mandatory and of general application) equally with all other unsecured obligations of SEC.

4.2 Limited Recourse

The proceeds of the Trust Assets are the sole source of payments on the Certificates. Save as provided in the next sentence, the Certificates do not represent an interest in or obligation of any of the Issuer or SEC. Accordingly, Certificateholders, by subscribing for or acquiring the Certificates, acknowledge that they will have no recourse to any assets of the Issuer, the Trustee (other than the Trust Assets) or SEC (to the extent that each of them fulfils all of its obligations under the Transaction Documents to which it is a party) or any director or officer of the Issuer in respect of any shortfall in the expected amounts from the Trust Assets to the extent the Trust Assets have been exhausted, following which all obligations of the Issuer and SEC (to the extent that each of them fulfils all of its obligations under the Transaction Documents to which it is a party) shall be extinguished.

SEC is obliged to make certain payments under the Transaction Documents to which it is a party directly to the Trustee (for and on behalf of the Certificateholders) or the Delegate (acting in the name and on behalf of the Trustee). The Trustee and the Delegate will have direct recourse against SEC to recover such payments.

The net proceeds of realisation of, or enforcement with respect to, the Trust Assets may not be sufficient to make all payments due in respect of the Certificates. If, following distribution of such proceeds, there remains a shortfall in payments due under the Certificates, subject to Condition 15, no Certificateholder will have any claim against the Issuer (to the extent the Trust Assets have been exhausted) or any director or officer of the Issuer, SEC (to the extent that it fulfils all of its obligations under the Transaction Documents to which it is a party), any affiliate of any of the foregoing entities or against any assets (other than the Trust Assets to the extent not exhausted) in respect of such shortfall and any unsatisfied claims of Certificateholders shall be extinguished. In particular, no Certificateholder will be entitled to petition

for, or join any other Person in instituting proceedings for, the reorganisation, liquidation, winding up or receivership of the Issuer as a consequence of such shortfall or otherwise.

4.3 Agreement of Certificateholders

By purchasing Certificates, each Certificateholder is deemed to have agreed that notwithstanding anything to the contrary contained in these Conditions or any Transaction Document, that, in relation to the Certificates:

- (a) no payment of any amount whatsoever shall be made by any of the Issuer, the Trustee or the Delegate or any agents of the Issuer or the Trustee on its behalf except to the extent funds are available therefor from the Trust Assets and no recourse shall be had for the payment of any amount owing hereunder, whether for the payment of any fee or other amount hereunder or any other obligation or claim arising out of or based upon the Transaction Documents, against the Issuer, the Trustee, the Delegate or any agents of the Issuer or the Trustee to the extent the Trust Assets have been enforced, realised and fully discharged, following which all obligations of the Issuer, the Trustee, the Delegate and or any agents of the Issuer and the Trustee shall be extinguished;
- (b) prior to the date which is one year and one day after the date on which all amounts owing by the Issuer under the Transaction Documents to which it is a party have been paid in full, it will not institute against, or join with any other Person in instituting against, the Issuer, any bankruptcy, reorganisation, arrangement or liquidation proceedings or other proceedings under any bankruptcy or similar law; and
- (c) no recourse (whether by institution or enforcement of any legal proceedings or assessment or otherwise) in respect of any breaches of any duty, obligation or undertaking of the Trustee arising under or in connection with the Declaration of Trust or the Issuer arising under or in connection with the Certificates and the Conditions (as from time to time supplemented or modified in accordance with the provisions herein or therein contained), by virtue of any customary law, statute or otherwise shall be had against any shareholder, member, officer, agent or director of the Trustee or the Issuer in their capacity as such and any and all personal liability of every such shareholder, member, officer, agent or director in their capacity as such for any breaches by the Trustee or the Issuer of any such duty, obligation or undertaking is expressly waived and excluded to the extent permitted by law save in the case of wilful default or fraud.

5. NEGATIVE PLEDGE

The following restrictive covenant has been given by SEC in the Ijara Agreement. So long as any Certificate remains outstanding (as defined in the Declaration of Trust), SEC will not and SEC will procure that no Subsidiary will create, or have outstanding, any mortgage, charge, lien, pledge or other security interest (each a **Security Interest**), other than a Permitted Security Interest, upon the whole or any part of its present or future undertaking, assets or revenues to secure any Relevant Indebtedness or Relevant Sukuk Obligation, or any guarantee or indemnity in respect of any Relevant Indebtedness or Relevant Sukuk Obligation, without at the same time or prior thereto according to all amounts payable by it to the Trustee under the Transaction Documents the same security as is created or subsisting to secure any such Relevant Indebtedness, Relevant Sukuk Obligation, guarantee or indemnity or such other security as shall be approved by an Extraordinary Resolution of the Certificateholders.

6. TRUST

6.1 Summary of the Trust

The Trustee has entered into a purchase agreement (the **Purchase Agreement**) dated the Closing Date with SEC (in such capacity, the **Seller**). Pursuant to the Purchase Agreement, the Seller has transferred and conveyed to the Trustee a percentage interest in the Seller's undivided rights, title, interests, benefits and other entitlements in and to electricity distribution assets comprising medium and low voltage power

line networks connecting high-voltage transmission sub-stations to local sub-stations and providing electricity from local sub-stations to end users with an economic life substantially beyond the Scheduled Dissolution Date as described in Schedule 1 to the Purchase Agreement (the ***Ijara* Assets** and references to the *Ijara* Assets shall include the whole of the electricity distribution assets in which any relevant percentage interest constitutes the *Ijara* Assets where the context permits or otherwise requires) which may be substituted in accordance with the Substitution Undertaking for any assets (or percentage interest in such assets) the identity of which shall be determined by SEC in its sole discretion on the condition that the value of the substitute assets is equal to or greater than the value of the assets (or percentage interest in such assets) being substituted, free and clear of any Encumbrances, and references to the *Ijara* Assets shall include any such substituted assets.

The Trustee (in such capacity, the **Lessor**) has leased the *Ijara* Assets, with effect from the Closing Date for renewable six month terms, to SEC (in such capacity, the **Lessee**) pursuant to an *Ijara* agreement (the ***Ijara* Agreement**) dated the Closing Date. The Lessee will pay the agreed rental payments in respect of the *Ijara* Assets in such amounts as are equal to the Periodic Distribution Amount due on each Periodic Distribution Date.

If, upon dissolution of the Trust (in whole or in part) in accordance with Condition 10, the Exercise Price is improperly withheld or refused and no Sale Agreement is entered into, the Lessor shall deliver to the Lessee a Renewal Notice in accordance with the *Ijara* Agreement, the *Ijara* Assets shall remain in the ownership of the Lessor and the *Ijara* Agreement shall be deemed to be extended for a period from and including the date on which the Exercise Price was due, to but excluding the date on which the Exercise Price is paid in full in accordance with the terms of the Purchase Undertaking or, as the case may be, the Sale Undertaking. In such circumstances, the Lessor shall be entitled to receive as part of such payment on the date on which such payment is made in full the Additional Rental Amount in respect of such Additional *Ijara* Period.

Under a servicing agency agreement (the **Servicing Agency Agreement**) dated the Closing Date, the Trustee has appointed SEC as servicing agent (in such capacity, the Servicing Agent) in respect of the *Ijara* Asset.

Upon the occurrence of a Total Loss Event, the Certificates will be redeemed and the Trust will be dissolved by the Trustee on the date specified by the Trustee in accordance with Condition 10.5. The Certificates will be redeemed at the Dissolution Distribution Amount in accordance with Condition 10.5 using either the proceeds of insurance payable in respect of the Total Loss Event or, if a Total Loss Event occurs and an amount (if any) less than the Insurance Coverage Amount is credited to the Transaction Account in accordance with the Servicing Agency Agreement (the difference between the Insurance Coverage Amount and the amount credited to the Transaction Account being the **Total Loss Shortfall Amount**), the aggregate of the insurance proceeds payable in respect of the Total Loss Event (if any) and the Total Loss Shortfall Amount transferred by the Servicing Agent in accordance with the terms of the Servicing Agency Agreement.

SEC has entered into a purchase undertaking deed (the **Purchase Undertaking**) dated the Closing Date in favour of the Trustee pursuant to which SEC undertakes, following receipt of an Asset Exercise Notice from the Trustee thereunder, to purchase all of the Trustee's interests, rights, title, benefits and other entitlements in and to the *Ijara* Assets (or the relevant *Ijara* Assets as identified by SEC in the case of a Change of Control) on the Scheduled Dissolution Date, on the Dissolution Event Redemption Date or on the Change of Control Put Option Date, in each case at the Dissolution Distribution Amount.

The Trustee has entered into a sale undertaking deed (the **Sale Undertaking**) dated the Closing Date in favour of SEC pursuant to which the Trustee undertakes:

- (a) following receipt of an Asset Exercise Notice from SEC thereunder, to sell all of the Trustee's interests, rights, title, benefits and other entitlements in and to the *Ijara* Assets on the Tax Redemption Date at the Dissolution Distribution Amount; or

- (b) following receipt of an Asset Redemption Notice from SEC thereunder, to transfer and convey all of the Trustee's interests, rights, title, benefits and other entitlements in and to the relevant *Ijara* Assets on the Asset Redemption Date against the cancellation of the relevant Certificates pursuant to the Declaration of Trust.

The Trustee has entered into a substitution undertaking (the **Substitution Undertaking**) dated the Closing Date in favour of SEC pursuant to which SEC has the right to require the Trustee to transfer and convey all of the Trustee's interests, rights, title, benefits and other entitlements in and to certain *Ijara* Assets (the **Substituted *Ijara* Assets**) to SEC in consideration for which SEC will transfer to the Trustee, by way of a substitution transfer agreement (**Substitution Transfer Agreement**), all its interests, rights, title, benefits and other entitlements in and to certain new *Ijara* assets (or a percentage interest in its undivided interest in such assets) (the **New *Ijara* Assets**). SEC will be obliged to certify that the value of the New *Ijara* Assets is equal to or greater than the value of the Substituted *Ijara* Assets.

The Trustee will establish a transaction account (the **Transaction Account**) maintained in London with the Principal Paying Agent into which SEC will deposit all amounts due to the Trustee under the *Ijara* Agreement, the Purchase Undertaking and the Sale Undertaking, as the case may be.

Pursuant to the Declaration of Trust, the Trustee has declared that it will hold certain assets (the **Trust Assets**), consisting of:

- (a) the cash proceeds of the issue of the Certificates, pending application thereof in accordance with the terms of the Transaction Documents;
- (b) all of the Trustee's rights, title, interests, benefits and other entitlements, present and future, in, to and under the *Ijara* Assets;
- (c) all of the Trustee's rights, title, interests, benefits and other entitlements, present and future, in, to and under the Transaction Documents excluding any representations given to the Trustee by SEC pursuant to any of the Transaction Documents;
- (d) all monies standing to the credit of the Transaction Account; and
- (e) all proceeds of the foregoing,

upon trust absolutely for the Certificateholders *pro rata* according to the face amount of the Certificates held by each Certificateholder in accordance with the Declaration of Trust and these Conditions.

6.2 Application of Proceeds from Trust Assets

On each Periodic Distribution Date and on any Dissolution Date, the Principal Paying Agent shall apply the monies standing to the credit of the Transaction Account in the following order of priority:

- (a) *first*, to the Delegate in respect of all amounts owing to it under the Transaction Documents in its capacity as Delegate;
- (b) *second*, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of all Periodic Distribution Amounts due but unpaid;
- (c) *third*, only if such payment is made on a Dissolution Date, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of:
 - (i) the Dissolution Distribution Amount; or
 - (ii) the amount payable following a Total Loss Event, as the case may be;
- (d) *fourth*, only if such payment is made on a Dissolution Date, to the Servicing Agent in or towards payment of all outstanding Additional Service Charge Amounts; and
- (e) *fifth*, only if such payment is made on a Dissolution Date payment of the residual amount (if any) to the Trustee as an incentive payment.

7. COVENANTS

The Issuer covenants that for so long as any Certificate is outstanding, it shall not (without the prior written consent of the Delegate):

- (a) incur any Indebtedness or give any guarantee in respect of any Indebtedness of any Person or issue any shares (or rights, warrants or options in respect of shares or securities convertible into or exchangeable for shares) except, in all cases, as contemplated in the Transaction Documents and the 2030 Certificate Transaction Documents;
- (b) secure any of its present or future Indebtedness by any Security Interest upon any of its present or future assets, properties or revenues (other than those arising by operation of law);
- (c) sell, lease, transfer, assign, participate, exchange or otherwise dispose of, or pledge, mortgage, hypothecate or otherwise encumber (by security interest, lien (statutory or otherwise), preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever or otherwise) (or permit such to occur or suffer such to exist), any part of its interests in any of the Trust Assets except pursuant to the Transaction Documents;
- (d) subject to Condition 18, amend or agree to any amendment of any Transaction Document to which it is a party (other than in accordance with the terms thereof) or its constitutional documents;
- (e) act as trustee in respect of any trust other than the Trust and the 2030 Certificate Trust or in respect of any parties other than the Certificateholders and the 2030 Certificateholders;
- (f) have any subsidiaries or employees;
- (g) redeem any of its shares or pay any dividend or make any other distribution to its shareholders (other than to SEC in accordance with the terms of the Transaction Documents and the 2030 Certificate Transaction Documents);
- (h) use the proceeds of the issue of the Certificates for any purpose other than as stated in the Transaction Documents;
- (i) prior to the date which is one year and one day after the date on which all amounts owing by the Issuer under the Transaction Documents to which it is a party have been paid in full, put to its directors or shareholders any resolution for, or appoint any liquidator for, its winding up or any resolution for the commencement of any other bankruptcy or insolvency proceeding with respect to it; or
- (j) enter into any contract, transaction, amendment, obligation or liability other than the Transaction Documents and the 2030 Certificate Transaction Documents to which it is a party or any permitted amendment or supplement thereto or as expressly permitted or required thereunder or engage in any business or activity other than:
 - (i) as provided for or permitted in the Transaction Documents and the 2030 Certificate Transaction Documents;
 - (ii) the ownership, management and disposal of the Trust Assets as provided in the Transaction Documents and the 2030 Certificate Trust Assets as provided in the Transaction Document and the and the 2030 Certificate Transaction Documents; and
 - (iii) such other matters which are incidental thereto.

8. PERIODIC DISTRIBUTIONS

8.1 Periodic Distribution Amount

Subject to Condition 6.2 and Condition 9, a Periodic Distribution Amount representing a defined share of the Rental paid by the Lessee to the Lessor pursuant to the *Ijara* Agreement in respect of the *Ijara*

Assets for the Certificates will be distributed by the Trustee to the Certificateholders, *pro rata* to their respective holdings on each Periodic Distribution Date in arrear in accordance with these Conditions.

The “Periodic Distribution Amount” payable on each Periodic Distribution Date shall be an amount equal to the product of (1) 1.740 per cent. per annum and (2) the face amount of the relevant Certificate, divided by two.

8.2 Calculation of Periodic Distribution Amounts payable other than on a Periodic Distribution Date

If a Periodic Distribution Amount is required to be calculated in respect of a period of less than a full Periodic Distribution Period (the **Relevant Period**), it shall be calculated as an amount equal to the product of:

- (a) 1.740 per cent. per annum;
- (b) the face amount of the relevant Certificate; and
- (c) the number of days in such Relevant Period calculated on the basis of a year of 12 30-day months divided by 360 (with the result being rounded to the nearest U.S.\$0.01, U.S.\$0.005 being rounded upwards).

8.3 Cessation of Accrual

No further amounts will be payable on any Certificate from and including (a) its due date for redemption (excluding following a Total Loss Event), unless default is made in payment of the Dissolution Distribution Amount in which case Periodic Distribution Amounts will continue to accrue in respect of the Certificates in the manner provided in this Condition 8 (such amount to be the **Additional Dissolution Distribution Amount**) to the earlier of (i) the Relevant Date or (ii) the date on which a sale agreement is executed pursuant to the Sale Undertaking or the Purchase Undertaking, as the case may be; and (b) save as described in Condition 10.5, the date on which a Total Loss Event occurs.

9. PAYMENT

9.1 Payments in Respect of Certificates

Subject to Condition 9.2, payment of any Periodic Distribution Amount and the Dissolution Distribution Amount will be made by the Principal Paying Agent in U.S. dollars by wire transfer in same day funds to the registered account of each Certificateholder. Payments of the Dissolution Distribution will only be made against surrender of the relevant Certificate at the specified offices of any of the Paying Agents. The Dissolution Distribution Amount and each Periodic Distribution Amount will be paid on the due date to the holder shown on the Register at the close of business on the Record Date.

For the purposes of these Conditions, a Certificateholder’s registered account means the U.S. dollar account maintained by or on behalf of it with a bank that processes payments in U.S. dollar, details of which appear on the Register at the close of business on the relevant Record Date.

9.2 Payments subject to Applicable Laws

Payments in respect of Certificates are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 11.

9.3 Payment only on a Payment Business Day

Payment instructions (for value the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated by the Principal Paying Agent on the due date for payment or, in the case of a payment of the Dissolution Distribution Amount, if later, on the Payment Business Day on which the relevant Certificate is surrendered at the specified office of a Paying Agent for value as soon as practicable thereafter.

Certificateholders will not be entitled to any additional payment for any delay after the due date in receiving the amount due if the due date is not a Payment Business Day or, if the relevant Certificateholder is late in surrendering its Certificate (if required to do so).

If the amount of the Dissolution Distribution Amount or any Periodic Distribution Amount is not paid in full when due, the Registrar will annotate the Register with a record of the amount actually paid.

9.4 Agents

In acting under the Agency Agreement and in connection with the Certificates, the Agents act solely as agents of the Trustee and (to the extent provided therein and in the Declaration of Trust) the Delegate and do not assume any obligations towards or relationship of agency or trust for or with any Certificateholder.

The names of the initial Agents and their initial specified offices are set out below:

- (a) Principal Paying Agent, Registrar, Replacement Agent and Transfer Agent:

HSBC Bank plc
Issuer Services, Europe
Level 22
8 Canada Square
Canary Wharf
London E14 5HQ
United Kingdom

The Trustee reserves the right at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents provided that:

- (i) it will at all times maintain a Principal Paying Agent;
- (ii) it will at all times maintain a Registrar (which may be the Principal Paying Agent);
- (iii) so long as the Certificates are listed on any stock exchange or admitted to listing by any other relevant authority, it will at all times maintain a Paying Agent (which may be the Principal Paying Agent) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority; and
- (iv) it will at all times maintain a Paying Agent (which may be the Principal Paying Agent) having its specified office in a jurisdiction within Europe.

Notice of any termination or appointment and of any changes in the specified offices shall be given by the Trustee to the Certificateholders in accordance with Condition 17.

10. CAPITAL DISTRIBUTIONS OF THE TRUST

10.1 Dissolution on the Scheduled Dissolution Date

Unless the Certificates are previously redeemed or purchased and cancelled, the Trustee will redeem each Certificate at the Dissolution Distribution Amount on the Scheduled Dissolution Date.

Upon payment in full of the Dissolution Distribution Amount, the Trust will be dissolved and the Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

10.2 Early Dissolution for Tax Reasons

The Certificates may be redeemed by the Trustee in whole, but not in part, on the date specified in the Asset Exercise Notice delivered in connection with the Sale Undertaking (a **Tax Redemption Date**), on giving not less than 30 nor more than 60 days' notice to the Certificateholders in accordance with Condition 17 (which notice shall be irrevocable), at the Dissolution Distribution Amount, if it is determined by SEC that a **Tax Event** occurs, where Tax Event means:

- (a) the Trustee has or will become obliged to pay additional amounts as provided or referred to in Condition 11 as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 11) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective after the Closing Date; and (ii) such obligation cannot be avoided by the Trustee taking reasonable measures available to it; or
- (b) the Trustee has received notice from SEC that SEC has or will become obliged to pay additional amounts pursuant to the terms of any Transaction Document as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective after the Closing Date; and (ii) such obligation cannot be avoided by SEC taking reasonable measures available to it,

provided, however, that no such notice of redemption shall be given unless:

- (i) an Asset Exercise Notice has been received by the Trustee from SEC under the Sale Undertaking; and
- (ii) provided that no such notice of redemption shall be given earlier than 60 days prior to the earliest date on which (in the case of (a) above) the Trustee would be obliged to pay such additional amounts if a payment in respect of the Certificates were then due or (in the case of (b) above) SEC would be obliged to pay such additional amounts if a payment to the Trustee under the relevant Transaction Document was then due.

Prior to the publication of any notice of redemption pursuant to this Condition 10.2, the Trustee shall deliver to the Delegate:

- (A) a certificate signed by two directors of the Trustee stating that the Trustee is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent in (a) or (b) above have occurred, and
- (B) an opinion of independent tax advisers of recognised standing to the effect that the Trustee or, as the case may be, SEC, has or will become obliged to pay such additional amounts as a result of such change or amendment and the Delegate shall be entitled to accept (without further investigation) any such certificate and opinion as sufficient evidence thereof in which event it shall be conclusive and binding on the Certificateholders. Upon the expiry of any such notice as is referred to in this Condition 10.2, the Trustee shall be bound to redeem the Certificates at the Dissolution Distribution Amount and upon payment in full of the Dissolution Distribution Amount to the Certificateholders, the Trust will terminate, the Certificates shall cease to represent the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

10.3 Dissolution at the Option of the Certificateholders (Change of Control Put)

SEC has agreed in the Declaration of Trust to notify the Trustee and the Delegate forthwith upon becoming aware of the occurrence of a Change of Control specifying the nature and details of the Change of Control. The Trustee, upon receipt of such notice from SEC or otherwise upon becoming aware of the occurrence of a Change of Control, and, at any time following the occurrence of a Change of Control, the Delegate, if so requested in writing by Certificateholders representing not less than one-quarter in aggregate face amount of the Certificates for the time being outstanding or if so directed by an Extraordinary Resolution (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), shall promptly give notice (a **Change of Control Notice**) to the Certificateholders in accordance with Condition 17 of the Change of Control, specifying the nature and details of the Change of Control, the Change of Control Put Period and the Change of Control Put Option Date (each as defined below).

If a Change of Control occurs, upon a Certificateholder giving notice to the Trustee (the **Change of Control Put Option**) at any time during the period of 30 days from the due date on which the Change of Control Notice is given (the **Change of Control Put Period**), the Trustee shall redeem such Certificates, which right may be exercised in any multiple of the Authorised Denominations, on the Change of Control Put Option Date at the Dissolution Distribution Amount.

To elect to redeem all or any of its Certificates in accordance with this Condition 10.3, which right may be exercised in any multiple of the Authorised Denomination, a Certificateholder must deliver a duly completed and signed option exercise notice (a **Change of Control Exercise Notice**) in the form (for the time being current) obtainable from the specified office of the Principal Paying Agent at its specified office at any time during its normal business hours within the Change of Control Put Period and in which the Certificateholder must specify a bank account to which payment is to be made under this Condition 10.3 accompanied by the relevant Certificates or evidence satisfactory to the Principal Paying Agent concerned that the relevant Certificates will, following delivery of the Change of Control Exercise Notice, be held to its order or under its control.

Any Change of Control Exercise Notice given by a Certificateholder pursuant to this Condition 10.3 shall be irrevocable and the Trustee will redeem all Certificates which are the subject of a validly delivered Change of Control Exercise Notice on the Change of Control Put Option Date.

For the purposes of these Conditions, Change of Control Put Option Date shall be the tenth Payment Business Day after the expiry of the Change of Control Put Period.

10.4 Dissolution Following a Dissolution Event

Upon the occurrence of a Dissolution Event which is continuing, the Certificates may be redeemed at the Dissolution Distribution Amount on the Dissolution Event Redemption Date and the Trust dissolved as more particularly specified in Condition 14.

10.5 Dissolution Following a Total Loss Event

Upon the occurrence of a Total Loss Event, the Certificates may be redeemed and the Trust dissolved by the Trustee on the date specified by the Delegate. The Certificates shall be redeemed at the Dissolution Distribution Amount using either:

- (a) the proceeds of the insurance payable in respect of the Total Loss Event and standing to the credit of the Transaction Account on or before the 30th day following the occurrence of a Total Loss Event; or
- (b) if the insurance proceeds (if any) standing to the credit of Transaction Account on the 30th day following the occurrence of a Total Loss Event are less than the Insurance Coverage Amount, the amount standing to the credit of the Transaction Account on the 31st day following the occurrence of a Total Loss Event, representing the aggregate of the insurance proceeds payable in respect of a Total Loss Event (if any) and the Total Loss Shortfall Amount funded by the Servicing Agent in accordance with the terms of the Servicing Agency Agreement.

A **Total Loss Event** means the total loss or destruction of, or damage to all of the *Ijara* Assets or any event or occurrence that renders all the *Ijara* Assets permanently unfit for any economic use and (but only after taking into consideration any insurances or other indemnity granted in each case by any third party in respect of the *Ijara* Assets) the repair or remedial work in respect thereof is wholly uneconomical.

10.6 No Other Dissolution

The Trustee shall not be entitled to redeem the Certificates, and the Trustee shall not be entitled to dissolve the Trust otherwise than as provided in this Condition 10, Condition 13 and Condition 14.

10.7 Cancellations

All Certificates which are redeemed in accordance with Condition 10 or Condition 14 will forthwith be cancelled and accordingly may not be held, reissued or resold.

11. TAXATION

All payments in respect of the Certificates shall be made without withholding or deduction for, or on account of, any present or future taxes, zakat, levies, imposts, duties, fees, assessments or other charges of whatever nature, imposed or levied by or on behalf of any Relevant Jurisdiction (**Taxes**), unless the withholding or deduction of the Taxes is required by law. In such event, the Trustee will pay additional amounts as shall be necessary in order that the net amounts received by the Certificateholder after such withholding or deduction shall equal the respective amounts due and payable to any Certificateholder which it would otherwise have received in the absence of such withholding or deduction; except that no such additional amount shall be payable in relation to any payment to any Certificateholder:

- (a) who is liable for such Taxes in respect of such Certificate by reason of having some connection with a Relevant Jurisdiction other than the mere holding of such Certificate; or
- (b) who would not be liable or subject to withholding or deduction by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority; or
- (c) where the definitive Certificate is required to be presented for payment and is presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to an additional amount on such 30th day assuming that day to have been a Payment Business Day.

In these Conditions, references to **the Dissolution Distribution Amount** or any **Periodic Distribution Amount** payable in respect of a Certificate shall be deemed to include any additional amounts payable under this Condition 11. In addition, in these Conditions:

Relevant Date means the date on which such payment first becomes due, except that, if the full amount of the monies payable has not been duly received by the Principal Paying Agent or the Delegate, as the case may be, on or prior to such due date, the date on which the full amount of such monies having been so received, notice to that effect is duly given to Certificateholders by the Trustee in accordance with Condition 17; and

Relevant Jurisdiction means the Cayman Islands and the Kingdom of Saudi Arabia or, in each case, any political sub-division or authority thereof or therein having the power to tax.

The Ijara Agreement, the Purchase Undertaking, the Sale Undertaking and the Sale Agreement to be entered into pursuant to the Purchase Undertaking and the Sale Undertaking, each provide that payments thereunder by SEC shall be made without withholding or deduction for, or on account of, any present or future Taxes, unless the withholding or deduction of the Taxes is required by law and, in such case, provide for the payment by SEC of additional amounts so that the full amount which would otherwise have been due and payable is received by the Trustee.

Further, in accordance with the Ijara Agreement, the Purchase Undertaking, the Sale Undertaking and the Sale Agreement to be entered into pursuant to the Purchase Undertaking and the Sale Undertaking, SEC undertakes to pay such additional amounts as may be necessary pursuant to this Condition 11 so that the full amount due and payable by the Trustee in respect of the Certificates to the Certificateholders is received by the Trustee for the purposes of payment to the Certificateholders in accordance with and subject to the provisions of this Condition 11.

12. PRESCRIPTION

The right to receive distributions in respect of the Certificates will be prescribed and become void unless claimed within periods of ten years (in the case of the Dissolution Distribution Amount) and five years (in the case of Periodic Distribution Amounts) from the Relevant Date in respect thereof, subject to the provisions of Condition 9.

13. PURCHASE AND CANCELLATION OF CERTIFICATES

13.1 Purchases

SEC and/or any Subsidiary may at any time purchase Certificates at any price in the open market or otherwise. Such Certificates may be held, resold or, at the option of SEC, surrendered to the Principal Paying Agent for cancellation.

13.2 Cancellation of Certificates held by SEC and/or any of its Subsidiaries

Should SEC wish to cancel any Certificate purchased in accordance with Condition 13.1, it will deliver a Cancellation Notice to the Principal Paying Agent (on behalf of the Trustee) accompanied by the relevant Certificates or evidence satisfactory to the Principal Paying Agent concerned that the relevant Certificates will, following delivery of the Cancellation Notice, be held to its order or under its control under the terms of the Declaration of Trust, whereupon SEC shall, in accordance with the Sale Undertaking, and following the delivery by the Trustee of the Asset Redemption Notice thereunder, be required to accept the transfer and conveyance of all the Trustee's interests, rights, title, benefits and other entitlements in and to those Redemption *Ijara* Assets in consideration for the delivery of such Certificates to the Principal Payment Agent for cancellation. Such Certificates shall be cancelled on the Asset Redemption Date specified in the Asset Redemption Notice. The Trustee and SEC have agreed in the Declaration of Trust and the Sale Undertaking to execute all such documents and do such further acts and things as may be required under applicable law to give effect to any transfer of the relevant Trust Assets and the cancellation of relevant Certificates.

14. DISSOLUTION EVENTS

Upon the Occurrence and Continuation of any of the Following Events (the **Dissolution Events**):

- (a) default is made in the payment of:
 - (i) the Dissolution Distribution Amount and such default continues for a period of five days from the due date for payment; or
 - (ii) any Periodic Distribution Amount and such default continues for a period of seven days from the due date for payment; or
- (b) the Trustee fails to perform or observe any of its other obligations under the Conditions or the Declaration of Trust in respect of the Certificates and (except in any case where, in the opinion of the Delegate, the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days following the service by the Delegate on the Trustee of written notice requiring the same to be remedied; or
- (c) the Trustee is adjudicated or found bankrupt or insolvent or to be unable to pay its debts as they fall due or proposes or makes a general assignment or an arrangement or composition with or for the benefit of any creditors in respect of any of its debts or a moratorium is agreed or declared or comes into effect in respect of or affecting all or any part of the debts of the Trustee; or
- (d) an administrator is appointed, an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Trustee, or the Trustee shall apply or petition for a winding-up or administration order in respect of itself or cease or through an official action of its board of directors threaten to cease to carry on all or substantially all of its business or operations; or
- (e) any of the obligations of the Trustee under the Certificates or the Transaction Documents to which it is a party are not, or cease to, be legal, valid, binding and enforceable or the Trustee repudiates or evidences an intention to repudiate any Transaction Document to which it is a party; or
- (f) a SEC Event occurs,

provided, however, that, in the case of paragraph (b) above, such event will only constitute a Dissolution Event if the Delegate has certified in writing to the Trustee that such event, in the opinion of the Delegate, is materially prejudicial to the interests of Certificateholders, the Delegate shall give notice of the occurrence of such Dissolution Event to the Certificateholders in accordance with Condition 17 with a request to such holders to indicate if they wish the Certificates to be redeemed and the Trust to be dissolved. If so requested in writing by the holders of at least 20 per cent. of the then aggregate face amount of the Certificates outstanding or if so directed by an Extraordinary Resolution of the Certificateholders (a **Dissolution Request**), the Delegate shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction) give notice to the Trustee and SEC of the Dissolution Request and, upon receipt of such notice, the Trustee shall exercise its rights under the Purchase Undertaking and use the proceeds of the Exercise Price to redeem the Certificates at the Dissolution Distribution Amount on the date specified in such notice (the **Dissolution Event Redemption Date**). Upon payment in full of such amounts, the Trust will terminate, the Certificates shall cease to represent the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

For the purposes of these Conditions,

SEC Event means:

- (i) SEC fails to pay:
 - (A) any Rental payable by it in respect of the Certificates under the *Ijara* Agreement and the failure continues for a period of seven days; or
 - (B) the Exercise Price under the Purchase Undertaking, the Exercise Price under the Sale Undertaking, the Total Loss Shortfall Amount in respect of the Certificates under the Servicing Agency Agreement or any amount payable pursuant to clause 2.4(b) of the Purchase Undertaking and, in any case, the failure continues for a period of five days; or
- (ii) SEC fails to perform or observe any of its other obligations in respect of the Certificates under the Declaration of Trust, the Purchase Undertaking and the *Ijara* Agreement and (except in any case where, in the opinion of the Delegate, the failure is incapable of remedy when no such continuation or notice as is hereunder mentioned will be required) the failure continues for the period of 30 days following the service by the Trustee (or the Delegate acting on behalf of the Trustee) of notice requiring the same to be remedied; or
- (iii) (A) the holders of any present or future Indebtedness of SEC or any Material Subsidiary accelerate such Indebtedness or declare such Indebtedness to be due and payable or required to be prepaid, prior to the stated maturity thereof by reason of an event of default (howsoever described); or (B) SEC or any Material Subsidiary fails to pay in full any principal of, or interest or profit, as the case may be, on, any of its Indebtedness when due (or within any originally applicable grace period); or (C) any guarantee of any Indebtedness of others given by SEC or any Material Subsidiary shall not be honoured when due and called upon; provided that no event described in this paragraph (iii) shall constitute a SEC Event unless the amount of the Indebtedness or guarantee, either alone or when aggregated (without duplication) with the amount of any other Indebtedness and/or guarantee in respect of which one or more of the events specified in (A) to (C) (inclusive) above shall have occurred and be continuing, amounts to at least fifty million United States dollars (U.S.\$50,000,000) (or its equivalent in any other currency); or
- (iv) any Security Interest given by SEC or a Material Subsidiary for any Indebtedness which equals or exceeds fifty million United States dollars (U.S.\$50,000,000) (or its equivalent in any other currency) becomes enforceable and any step is taken to enforce the Security Interest (including the taking of possession or the appointment of a receiver, manager or other similar Person, but excluding the issue of any notification to SEC or the relevant Material Subsidiary, as the case

may be, that such Security Interest has become enforceable) unless the full amount of the Indebtedness secured by the relevant Security Interest is discharged within 30 days of the first date on which any such step for enforcement of the relevant Security Interest is taken; or

- (v) one or more judgment(s) or order(s) for the payment of an amount in excess of fifty million United States dollars (U.S.\$50,000,000) (or its equivalent in any other currency), whether individually or in aggregate is rendered against SEC or any Material Subsidiary and continue(s) unsatisfied and unstayed for a period of 30 days after the dates thereof, or if later, the date therein specified for payment; or
- (vi) (A) SEC or any Material Subsidiary is adjudicated or found bankrupt or insolvent or to be unable to pay its debts as they fall due; (B) an administrator or liquidator is appointed over all or substantially all of the undertaking, assets and revenues of SEC or the Material Subsidiary (or proceedings for any such appointment are initiated) and such appointment is not discharged within 30 days; (C) SEC or any Material Subsidiary takes any action for a readjustment or deferral of any of its obligations in connection with bankruptcy, insolvency or liquidation arrangements or makes a general assignment or an arrangement or composition with or for the benefit of its creditors (including any arrangement under the Bankruptcy Law) other than in connection with a Permitted Reorganisation or declares a moratorium in respect of any of its Indebtedness or any guarantee of any Indebtedness given by it; or (D) SEC or any Material Subsidiary ceases or threatens to cease to carry on all or substantially all of its business; or
- (vii) an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of SEC or any Material Subsidiary other than, in the case of a Material Subsidiary, in connection with a Permitted Reorganisation; or
- (viii) any event occurs under the laws, regulations or rules of the Kingdom of Saudi Arabia which has an analogous effect to any of the events referred to in paragraphs (iv) to (vi) (inclusive) above; or
- (ix) any action, condition or thing at any time required to be taken, fulfilled or done in order:
 - (A) to enable SEC lawfully to enter into, exercise its rights and perform its obligations under and in respect of the Transaction Documents to which it is a party; and
 - (B) to ensure that those obligations are legal, valid, binding and enforceable is not taken, fulfilled or done; or
- (x) it is or becomes unlawful for SEC to perform or comply with any of its obligations under the Transaction Documents to which it is a party or SEC repudiates or evidences an intention to repudiate any Transaction Document to which it is a party,

provided, however, that, in the case of paragraph (ii), (ix) and (x) above, such event will only constitute an SEC Event if the Delegate has certified in writing to the Trustee that such event, in the opinion of the Delegate, is materially prejudicial to the interests of Certificateholders.

15. ENFORCEMENT AND EXERCISE OF RIGHTS

15.1 Following the enforcement, realisation and the ultimate distribution in full of the proceeds of the Trust Assets in respect of the Certificates to the Certificateholders in accordance with these Conditions and the Declaration of Trust, the Trustee shall not be liable for any further sums and, accordingly Certificateholders may not take any action against the Trustee or any other Person (including SEC (to the extent that SEC fulfils all of its obligations under the Transaction Documents to which it is a party)) to recover any such sum or asset in respect of the Certificates or the Trust Assets.

15.2 The Delegate shall not be bound in any circumstances to take any action to enforce or to realise the Trust Assets or take any action against the Trustee and/or SEC under any Transaction Document to which either of the Trustee or SEC is a party unless directed or requested to do so:

- (a) by an Extraordinary Resolution; or

- (b) in writing by the holders of at least 25 per cent. of the then outstanding aggregate face amount of the Certificates and in either case then only if it shall be indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing and provided that the Delegate shall not be held liable for the consequences of exercising its discretion or taking any such action and may do so without having regard to the effect of such action on individual Certificateholders.
- 15.3 No Certificateholder shall be entitled to proceed directly against the Trustee or SEC under any Transaction Document to which either of them is party unless (a) the Delegate, having become bound so to proceed, fails to do so within 30 days of becoming so bound, or is unable for any reason so to do, and such failure or inability is continuing and (b) the relevant Certificateholder (or such Certificateholder together with the other Certificateholders who propose to proceed directly against any of the Trustee or SEC (as the case may be)) holds at least 25 per cent. of the then aggregate face amount of the Certificates outstanding. Under no circumstances shall the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the Trust Assets (other than pursuant to the Transaction Documents) and the sole right of the Delegate and the Certificateholders against the Trustee and SEC shall be to enforce their respective obligations under the Transaction Documents.
- 15.4 The foregoing paragraphs in this Condition 15 are subject to this paragraph. After enforcing or realising the Trust Assets and distributing the proceeds of the Trust Assets in accordance with Condition 6.2 and the Declaration of Trust, the obligations of the Trustee in respect of the Certificates shall be satisfied and no Certificateholder may take any further steps against the Trustee, the Delegate or any other Person (including SEC (to the extent that SEC fulfils all of its obligations under the Transaction Documents to which it is a party)) to recover any further sums in respect of the Certificates and the right to receive any sums unpaid shall be extinguished. In particular, no Certificateholder shall be entitled in respect thereof to petition or to take any other steps for the winding-up of the Trustee.

16. REPLACEMENT OF CERTIFICATES

Should any Certificate be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Registrar upon payment by the claimant of the costs and expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Trustee may reasonably require. Mutilated or defaced Certificates must be surrendered to the Replacement Agent before replacements will be issued.

17. NOTICES

All Notices to Certificateholders will be valid if:

- (a) published in a daily newspaper having general circulation in London (which is expected to be the Financial Times) approved by the Delegate; or
- (b) mailed to them by first class pre-paid registered mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective registered addresses.

Any notice shall be deemed to have been given on the fourth day after being so mailed or on the date of publication or, if so published more than once or on different dates, on the date of the first publication.

So long as the Global certificate representing the Certificates is held in its entirety on behalf of Euroclear and/or Clearstream, the relevant notice may be delivered to Euroclear and/or Clearstream for communication by them to the Certificateholders. Any such notice shall be deemed to have been given to the Certificateholders on the third day after the day on which the said notice was given to Euroclear and/or Clearstream.

The Trustee shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any listing authority, stock exchange and/or quotation system (if any) by which the Certificates have then been admitted to listing, trading and/or quotation.

Notices to be given by any Certificateholder shall be in writing and given by lodging the same, together with the relevant Certificate or Certificates, with the Principal Paying Agent.

18. MEETINGS OF CERTIFICATEHOLDERS, MODIFICATION, WAIVER, AUTHORISATION AND DETERMINATION

- 18.1 The Declaration of Trust contains provisions for convening meetings of Certificateholders to consider any matter affecting their interests, including the modification or abrogation by Extraordinary Resolution of the rights of the Trustee, SEC and/or the Certificateholders or the modification of any of the provisions of these Conditions or the provisions of the Declaration of Trust. Such a meeting may be convened by the Trustee, SEC or the Delegate and shall be convened by the Trustee if required in writing by Certificateholders holding more than 10 per cent. in aggregate face amount of the Certificates for the time being outstanding. Pursuant to the Declaration of Trust, the quorum at any meeting for passing an Extraordinary Resolution will be one or more persons present holding or representing in aggregate not less 50 per cent. of the then outstanding aggregate face amount of the Certificates, or at any adjourned such meeting one or more persons present whatever the outstanding face amount of the Certificates held or represented by him or them, except that any meeting the business of which includes the modification of certain provisions of the Certificates (including, among others, modifying the Scheduled Dissolution Date, reducing or cancelling any amount payable in respect of the Certificates or altering the currency of payment of the Certificates and amending certain covenants given by SEC and the Trustee in the Transaction Documents in a way which is materially prejudicial to the interests of the Certificateholders), the quorum shall be one or more persons present holding or representing not less than $66 \frac{2}{3}$ per cent. in aggregate face amount of the Certificates for the time being outstanding, or at any adjourned such meeting one or more persons present holding or representing not less than 25 per cent. in aggregate face amount of the Certificates for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Certificateholders shall be binding on all the Certificateholders, whether or not they are present at the meeting and whether or not voting. The expression "Extraordinary Resolution" is defined in the Declaration of Trust to mean a resolution passed at a meeting duly convened and held in accordance with the Declaration of Trusts by a majority consisting of not less than 75 per cent. of the persons voting thereat upon a show of hands or, if a poll is duly demanded, by a majority consisting of not less than 75 per cent. of the votes cast on such poll.
- 18.2 The Declaration of Trust provides that a resolution in writing signed by or on behalf of 90 per cent. of all holders of Certificates who for the time being are entitled to receive notice of a meeting in accordance with Schedule 4 of the Declaration of Trust shall take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more such holders of Certificates.
- 18.3 Pursuant to the Declaration of Trust, any of these Conditions or any Transaction Document may only be amended by the Trustee with the consent of the Delegate and the Delegate may, without any consent or sanction of Certificateholders:
- (a) agree to any modification of any of these Conditions or any of the provisions of the Declaration of Trust or any other relevant Transaction Document or the Trustee's constitutional documents which, in the opinion of the Delegate is:
 - (i) of a formal, minor or technical nature; or
 - (ii) to correct a manifest error; or
 - (iii) not materially prejudicial to the interests of Certificateholders and is other than in respect of a Reserved Matter (as defined in Schedule 4 of the Declaration of Trust); or
 - (b) agree to waive or to authorise any breach or proposed breach of these Conditions or any of the provisions of the Declaration of Trust or any other relevant Transaction Document; or
 - (c) determine that any Dissolution Event or Potential Dissolution Event shall not be treated as such,

provided, in the case of (b) and (c), that the Delegate will not do so in contravention of an express direction given by an Extraordinary Resolution or a request made pursuant to Condition 14.

- 18.4 In connection with the exercise by it of any of its trusts, powers, authorities and discretions under the Declaration of Trust (including, without limitation, any modification, waiver, authorisation or determination), the Delegate shall have regard to the general interests of Certificateholders as a class and shall not have regard to any interests arising from circumstances particular to individual Certificateholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Certificateholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Delegate shall not be entitled to require, nor shall any Certificateholder be entitled to claim, from the Trustee, SEC, the Delegate or any other Person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Certificateholders.
- 18.5 Any modification, abrogation, waiver, authorisation or determination shall be binding on Certificateholders and, unless the Delegate otherwise decides, shall as soon as practicable thereafter be notified by the Trustee to the Certificateholders in accordance with Condition 17.

19. FURTHER ISSUES

The Trustee shall be at liberty from time to time without the consent of the Certificateholders to create and issue additional Certificates having the same terms and conditions as the outstanding Certificates in all respects, save for the date and amount of the first payment of the Periodic Distribution Amount and the date from which Periodic Distribution Amounts start to accrue and so that the same shall be consolidated and form a single series with the outstanding Certificates. Any additional Certificates which are to form a single series with the outstanding Certificates previously constituted by the Declaration of Trust shall be constituted by a Supplemental Declaration of Trust. References in these Conditions to the Certificates include (unless the context requires otherwise) any other trust certificates issued pursuant to this Condition and forming a single series with the Certificates.

20. INDEMNIFICATION AND LIABILITY OF THE DELEGATE AND THE TRUSTEE

- 20.1 The Declaration of Trust contains provisions for the indemnification of the Delegate in certain circumstances and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or prefunded to its satisfaction.
- 20.2 The Delegate makes no representation and assumes no responsibility for the validity, sufficiency or enforceability of the obligations of SEC under the Transaction Documents and shall not under any circumstances have any liability or be obliged to account to the Certificateholders in respect of any payments which should have been made by SEC but are not so paid and shall not in any circumstances have any liability arising from the Trust Assets other than as expressly provided in the Conditions or in the Declaration of Trust.
- 20.3 Each of the Trustee and the Delegate is exempted from (a) any liability in respect of any loss or theft of the Trust Assets or any cash, (b) any obligation to insure the Trust Assets or any cash and (c) any claim arising from the fact that the Trust Assets or any cash are held by or on behalf of the Trustee or on deposit or in an account with any depositary or clearing system or are registered in the name of the Trustee or its nominee, unless such loss or theft arises as a result of default or misconduct by the Trustee or the Delegate, as the case may be.

21. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No rights are conferred on any Person under the Contracts (Rights of Third Parties) Act 1999 (the **Act**) to enforce any term of these Conditions, but this does not affect any right or remedy of any Person which exists or is available apart from that Act.

22. GOVERNING LAW, SUBMISSION TO JURISDICTION AND SERVICE OF PROCESS

22.1 Governing Law

The Declaration of Trust and the Certificates, including any non-contractual obligations arising out of or in connection with, the Declaration of Trust and the Certificates, shall be governed by, and construed in accordance with, English law.

22.2 Arbitration

Subject to Condition 22.3, any dispute arising out of or connected with the Declaration of Trust and the Certificates (including a dispute regarding the existence, validity or termination of the Declaration of Trust and the Certificates or a dispute relating to any non-contractual obligations arising out of or in connection with the Declaration of Trust and the Certificates), or the consequences of any nullity of the Declaration of Trust and the Certificates (a **Dispute**) shall be referred to and finally resolved by arbitration under the Arbitration Rules of the London Court of International Arbitration (**LCIA**) (the **Rules**), which Rules are incorporated by reference into this Condition 22.2:

- (a) the arbitral tribunal shall consist of three arbitrators each of whom shall be disinterested in the arbitration, shall have no connection with any party thereto and shall be an attorney experienced in international securities transactions;
- (b) the claimant and the respondent shall each nominate one arbitrator within 15 days from receipt by the Registrar of the LCIA of the Response to the Request for arbitration as defined in the Rules, and the chairman of the arbitral tribunal shall be nominated by the two party nominated arbitrators within 15 days of the last of their appointments. If he is not so nominated, he shall be chosen by the LCIA;
- (c) the seat of the arbitration shall be London, England;
- (d) the language of the arbitration shall be English; and
- (e) SEC waives any right of application to determine a preliminary point of law under section 45 of the Arbitration Act 1996.

22.3 Jurisdiction

- (a) Before the Trustee or the Delegate has filed a “Request” for arbitration or “Response” (each as defined in the Rules), as the case may be, it may by notice in writing to the Issuer or SEC, as the case may be, require that a Dispute be heard by a court of law. If the Trustee or the Delegate gives such notice, the Dispute to which such notice refers shall be determined in accordance with Condition 22.3(b) and any arbitration commenced under Condition 22.2 will be terminated. Each of the parties to the terminated arbitration will bear its own costs in relation thereto.
- (b) If any notice is given in accordance with Condition 22.3(a), the Trustee or the Delegate must also promptly give notice to the LCIA and to any Tribunal (each as defined in the Rules) already appointed in relation to the Dispute that such Dispute will be settled by the courts. Upon receipt of such notice by the LCIA, the arbitration and any appointment of any arbitrator in relation to such Dispute will immediately terminate. Any such arbitrator will be deemed to be *functus officio*. The termination is without prejudice to:
 - (i) the validity of any act done or order made by that arbitrator or by the court in support of that arbitration before the arbitrator’s appointment is terminated;
 - (ii) the arbitrator’s entitlement to be paid his or her proper fees and disbursements; and
 - (iii) the date when any claim or defence was raised for the purpose of applying any limitation bar or any similar rule or provision.
- (c) In the event that the Trustee or the Delegate issues a notice pursuant to Condition 22.3(a), the following provisions shall apply:

- (i) subject to Condition 22.3(c)(iii), the courts of England shall have exclusive jurisdiction to settle any Dispute;
- (ii) the Issuer and SEC, as the case may be, agree that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary; and
- (iii) this Condition 22.3(c) is for the benefit of the Trustee or the Delegate only. As a result, and notwithstanding Condition 22.3(c)(i), to the extent allowed by law, the Trustee or the Delegate may, in respect of any Dispute or Disputes, take (i) proceedings relating to a Dispute (**Proceedings**) in any other court or applicable authority or body with jurisdiction including, without limitation, the Committee for the Resolution of Securities Disputes and the Appeal Panel; and (ii) concurrent Proceedings in any number of jurisdictions.

22.4 Service of Process

Each of the Issuer, the Trustee and SEC agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Law Debenture Corporate Services Limited at its registered office at Fifth Floor, 100 Wood Street, London EC2V 7EX. If:

- (a) such person is not or ceases to be effectively appointed to accept service of process on behalf of SEC, SEC shall, on the written demand of the Issuer, the Trustee or the Delegate (as the case may be), appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, the Issuer and/or the Trustee shall be entitled to appoint such a person by written notice addressed to SEC; or
- (b) such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer and/or the Trustee, the Issuer and/or the Trustee shall, on the written demand of SEC, appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, SEC shall be entitled to appoint such a person by written notice addressed to the Trustee.

Nothing in this Condition 22.4 shall affect the right to serve process in any other manner permitted by law. For the avoidance of doubt, this Condition applies to Proceedings in England.

22.5 Waiver of Immunity

SEC acknowledges that the transactions contemplated by this Agreement are commercial transactions. To the extent that SEC may claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed to SEC or its assets or revenues, SEC agrees not to claim and irrevocably and unconditionally waives such immunity in relation to any Proceedings or Disputes. Further, SEC irrevocably and unconditionally consents to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any of its assets whatsoever of any award, order or judgment made or given in connection with any Proceedings or Disputes.

22.6 Waiver of Interest

Each of the Trustee, SEC and the Delegate irrevocably agrees that no interest will be payable or receivable under or in connection with these Conditions and if it is determined that any interest is payable or receivable in connection herewith by a party, whether as a result of any judicial award or by operation of any applicable law or otherwise, such party has agreed to waive any rights it may have to claim or

receive such interest and has agreed that if any such interest is actually received by it, it shall promptly donate the same to a registered or otherwise officially recognised charitable organisation.

Nothing in Condition 22.6 shall be construed as a waiver of rights in respect of rental or revenues under the Transaction Documents or from the *Ijara* Assets, or in respect of any Periodic Distribution Amounts or profit or principal of any kind howsoever described payable by SEC (in any capacity) or the Trustee (in any capacity) pursuant to the Transaction Documents and/or these Conditions, howsoever such amounts may be described or re-characterised by any court or arbitral tribunal.

TERMS AND CONDITIONS OF THE 2030 CERTIFICATES

The 2030 Conditions will be identical to those described under “Terms and Conditions of the 2025 Certificates” above, except as follows:

- (a) the reference in the introductory paragraph to the “U.S.\$650,000,000 Certificates due 2025” shall be replaced by a reference to the “U.S.\$650,000,000 Certificates due 2030” and references to “Certificates” shall be construed as references to the 2030 Certificates;
- (b) the definition of “Periodic Distribution Date” in Condition 1 shall be replaced with Periodic Distribution Date means 17 March and 17 September in each year, commencing on 17 March 2021, and subject to these Conditions, ending on 17 September 2030;
- (c) the definition of “Scheduled Dissolution Date” in Condition 1 shall be replaced with Scheduled Dissolution Date means 17 September 2030;
- (d) the definitions of “2030 Certificates”, “2030 Certificate Transaction Documents”, “2030 Certificate Trust”, “2030 Certificateholders” and “2030 Certificate Trust Assets” in Condition 1 and the corresponding references in Condition 7 shall be replaced by corresponding definitions and references in respect of the 2025 Certificates;
- (e) Condition 8.1 shall be replaced with the following:

“8.1 Periodic Distribution Amount

Subject to Condition 6.2 and Condition 9, a Periodic Distribution Amount representing a defined share of the Rental paid by the Lessee to the Lessor pursuant to the Ijara Agreement in respect of the Ijara Assets for the Certificates will be distributed by the Trustee to the Certificateholders, pro rata to their respective holdings on each Periodic Distribution Date in arrear in accordance with these Conditions.

The “Periodic Distribution Amount” payable on each Periodic Distribution Date shall be an amount equal to the product of (1) 2.413 per cent. per annum and (2) the face amount of the relevant Certificate, divided by two.”; and

- (f) the reference in Condition 8.2 to “1.740 per cent. per annum” shall be replaced by a reference to “2.413 per cent. per annum”.

GLOBAL CERTIFICATE

Each Global Certificate of a Series contains certain provisions which apply to the Certificates of that Series whilst they are represented by that Global Certificate, some of which modify the effect of the Conditions. Unless otherwise defined, terms defined in the relevant Conditions have the same meaning in paragraphs 1 and 2 below.

As used herein, unless expressly indicated otherwise, all reference to Certificates means the Certificates of the relevant Series.

1 PAYMENTS

Payments of any Dissolution Distribution Amount and Periodic Distribution Amount in respect of Certificates represented by the relevant Global Certificate with respect to book-entry interests in such Global Certificate will be credited to the cash accounts of Euroclear or Clearstream participants in accordance with the relevant system's rules and procedures. Each holder of Certificates must look solely to Euroclear or Clearstream (as the case may be) for its share of each payment made to such holder.

A record of each payment made will be entered into the Register by or on behalf of the Registrar and shall be prima facie evidence that payment has been made.

2 REGISTRATION OF TITLE

Registration of title to Certificates in a name other than that of the nominee for the relevant clearing system (the **Relevant Nominee**) will not be permitted unless Euroclear or Clearstream, as appropriate, notifies the Issuer that it is unwilling or unable to continue as a clearing system in connection with a Global Certificate, and in each case a successor clearing system approved by the Delegate is not appointed by the Issuer within 90 days after receiving such notice from Euroclear or Clearstream. In these circumstances title to a Certificate may be transferred into the names of holders notified by the Relevant Nominee in accordance with the Conditions, except that Certificates in respect of Certificates so transferred may not be available until 21 days after the request for transfer is duly made.

The Registrar will not register title to the Certificates in a name other than that of the Relevant Nominee for a period of 15 calendar days preceding the due date for any payment of principal or distributions in respect of the Certificates.

If only one of the Global Certificates (the **Exchanged Global Certificate**) becomes exchangeable for Certificates in accordance with the above paragraphs, transfers of Certificates may not take place between, on the one hand, persons holding Certificates issued in exchange for beneficial interests in the Exchanged Global Certificate and, on the other hand, persons wishing to purchase beneficial interests in the other Global Certificate.

3 TRANSFERS

Transfers of book-entry interests in the Certificates will be effected through the records of Euroclear or Clearstream and their respective direct and indirect participants in accordance with their respective rules and procedures.

SUMMARY OF THE PRINCIPAL TRANSACTION DOCUMENTS

The following is a summary of certain provisions of the principal Transaction Documents in respect of each Series and is qualified in its entirety by reference to the detailed provisions of such principal Transaction Documents. Copies of the Transaction Documents will be available for inspection as described under “General Information”.

A separate version of each of the following Transaction Documents (other than the Declaration of Trust) will be entered into on the Closing Date in respect of each Series. References to the Certificates and other terms defined in the Conditions or provisions of the relevant Conditions in this section are, therefore, to the 2025 Certificates or the 2030 Certificates and such terms as defined in, or the relevant provisions of, the 2025 Conditions or the 2030 Conditions, in each case as applicable, and references to Ijara Assets or Trust Assets are to the Ijara Assets or Trust Assets in respect of the relevant Series.

PURCHASE AGREEMENT

The Purchase Agreement will be entered into on the Closing Date between the Trustee (in its capacity as the Purchaser) and SEC (in its capacity as the Seller) and will be governed by Saudi law.

Pursuant to the Purchase Agreement the Purchaser will purchase from the Seller the Ijara Assets, free and clear of any encumbrance. The proceeds received by the Trustee from the issuance and sale of the Certificates will be used to pay the purchase price of those assets.

IJARA AGREEMENT

The Ijara Agreement will be entered into on the Closing Date between the Trustee (in its capacity as the Lessor) and SEC (in its capacity as the Lessee) and will be governed by English law.

Pursuant to the Ijara Agreement the Lessor has agreed to lease to the Lessee, and the Lessee has agreed to lease from the Lessor, the Ijara Assets for renewable six month terms commencing and ending on the dates specified in the Ijara Agreement. During the term of the Ijara, the Lessee will pay to the Lessor rental payments as specified in the Ijara Agreement. The rental payments due under the Ijara Agreement will not be less than the Periodic Distribution Amounts payable on the Periodic Distribution Dates. The Lessee will be obligated to make such rental payments on each Periodic Distribution Date. Following the exercise by Certificateholders of the Change of Control Put Option, rental payments will be reduced accordingly and the Lessor shall send to the Lessee a Renewal Notice specifying the rental payments to be paid for the remaining period in the Ijara Period in which the Change of Control Put Option was exercised.

The Lessee shall, at its own cost and expense, be responsible for the performance of all Ordinary Maintenance and Repair required for the Ijara Assets.

The Lessor shall be responsible for: (i) the performance of all Major Maintenance and Structural Repair; (ii) the payment of any proprietorship or other relevant taxes; and (iii) insuring the Ijara Assets (to the extent consistent with general industry practice by prudent owners of similar assets) and the Lessee acknowledges that the Lessor may procure that the Servicing Agent, in accordance with the terms and conditions set out in the Servicing Agency Agreement, shall perform, or shall procure the performance of, the Major Maintenance and Structural Repair, the payment of such taxes and any insurance of the Ijara Assets, in each case, on behalf of the Lessor.

All payments by the Lessee to the Lessor under the Ijara Agreement shall be paid in full without any set-off or counterclaim of any kind and without any deduction or withholding for or on account of tax unless the deduction or withholding is imposed or levied by or on behalf of any relevant taxing authority, in which event the Lessee shall forthwith pay to the Lessor such additional amount so that the net amount received by the Lessor will equal the full amount which would have been received by it had no such deduction or withholding been made.

The Lessee has agreed to use the Ijara Assets at its own risk. Under the Ijara Agreement, the Lessee bears the entire risk of loss of or damage to the Ijara Assets or any part thereof arising from the usage or operation thereof by the Lessee to the extent such losses or damages have resulted from the Lessee’s negligence, default, breach of the Ijara Agreement or other action or failure to action. In addition, the Lessor shall not be liable (and the Lessee will waive any claim or right, howsoever arising, to the contrary) for any indirect, consequential or other losses, howsoever arising, in connection with the Lessee’s use or operation of the Ijara Assets.

If a Total Loss Event occurs, then the Ijara in respect of the Ijara Assets shall automatically terminate and the Lessor will be entitled to all insurance proceeds (or the relevant percentage thereof) payable as a result of the Total Loss Event in addition to any amounts payable pursuant to the Servicing Agency Agreement, together with any accrued and unpaid rental payments up to the date on which the Total Loss Event occurred. See “– *Servicing Agency Agreement*” below for further details.

The Lessee has agreed that certain events or circumstances shall constitute a SEC Event under the Ijara Agreement, the occurrence of which shall entitle the Lessor to terminate the Ijara Agreement.

For a full list of the SEC Events, please see Condition 14 under “*Terms and Conditions of the Certificates*” above.

The Certificateholders will also have the benefit of a negative pledge and certain other restrictive covenants given by SEC in the Ijara Agreement, the full details of which are set out in Condition 5 and Condition 7 under “*Terms and Conditions of the Certificates*” above.

SERVICING AGENCY AGREEMENT

The Servicing Agency Agreement will be entered into on the Closing Date by SEC (in its capacity as the Servicing Agent) and the Trustee (in its capacity as the Lessor). Pursuant to the Servicing Agency Agreement, the Lessor will appoint the Servicing Agent as its agent and the Servicing Agent will agree to act as the agent for the Lessor and to provide certain services in respect of the Ijara Assets (the **Services**). The Servicing Agency Agreement will be governed by English law.

Under the terms of the Servicing Agency Agreement, the Servicing Agent will be responsible for: (i) ensuring on behalf of the Lessor that the Ijara Assets are properly insured; (ii) the performance of all Major Maintenance and Structural Repair; and (iii) the payment of any proprietorship or other relevant taxes charged, levied or claimed in respect of the Ijara Assets.

As an advance to the Servicing Agent for amounts (the **Service Charge Amounts**) to be paid or incurred by it in respect of the Services, the Lessor shall procure that an amount (the **All Expenses Reserve Amount**) is credited to a ledger account maintained by the Servicing Agent in its books (the **Service Charge Expense Account**) on the Closing Date. Service Charge Amounts may be deducted by and reimbursed to the Servicing Agent from the Service Charge Expense Account as paid or incurred by the Servicing Agent, provided that the relevant invoices and notice are submitted under the Servicing Agency Agreement. The All Expenses Reserve Amount shall then be replenished on each following Rental Payment Date by way of supplementary rental payments under the Ijara Agreement.

The Servicing Agent shall not pay or incur any amount in respect of the Services that would result in the amounts paid or incurred in respect of the Services exceeding the All Expenses Reserve Account without first making a request for the payment or incurrence of such amount (an **Additional Service Charge Amount**) to the Lessor and notice being given to the Lessee that an amount of additional supplemental rental equal to such Additional Service Charge Amount is payable on the Rental Payment Date falling at the end of the Ijara Period immediately following such request or, if earlier, the Dissolution Date.

An amount equal to the Additional Service Charge Amount to be paid by SEC (as the Lessee under the Ijara Agreement) to the Lessor as, or as part of, any: (i) additional supplementary rental under the Ijara Agreement; or (ii) Exercise Price under the Purchase Undertaking or the Sale Undertaking (as the case may be), shall be set off against the Additional Service Charge Amount to be paid by the Lessor to the Servicing Agent under the Servicing Agency Agreement.

The Servicing Agent will be entitled to deduct amounts standing to the credit of the Service Charge Expense Account and use such amounts for its own account, provided such amounts are immediately repaid for the purpose of their application towards the payment of any Service Charge Amounts. Following payment of all Service Charge Amounts and payment in full of the Dissolution Distribution Amount to Certificateholders on the Dissolution Date, the Servicing Agent shall be entitled to retain any amounts that remain standing to the credit of the Service Charge Expense Account for its own account as an incentive payment for acting as Servicing Agent.

Upon the occurrence of a Total Loss Event, all insurance proceeds (or the relevant percentage thereof) are required to be paid into the Transaction Account by no later than the 30th day after the occurrence of the Total Loss Event.

The Servicing Agency Agreement provides that if the insurance proceeds paid into the Transaction Account are less than the Insurance Coverage Amount, due to the Servicing Agent's failure to comply with the terms of the Servicing Agency Agreement, then the Servicing Agent acknowledges that it shall have failed in its responsibility to properly insure the *Ijara* Assets and accordingly (unless it proves beyond any doubt that any shortfall in the proceeds of Insurances is not attributable to its negligence and not attributable to its failing to fully comply with the terms of the Servicing Agency Agreement relating to the Insurances) and undertakes to pay any shortfall amount (being the difference between the Insurance Coverage Amount and the amount credited to the Transaction Account (the **Total Loss Shortfall Amount**)) into the Transaction Account by no later than close of business in Riyadh on the 31st day after the Total Loss Event occurred, such that the amount standing to the credit of the Transaction Account on the 31st day following the occurrence of a Total Loss Event, represents the aggregate of the insurance proceeds payable in respect of a Total Loss Event (if any) and the Total Loss Shortfall Amount funded by the Servicing Agent in accordance with the terms of the Servicing Agency Agreement. Following the payment of such Total Loss Shortfall Amount, any insurance proceeds received from any insurer shall be for the Servicing Agent's sole account.

SUBSTITUTION UNDERTAKING

The Trustee will enter into the Substitution Undertaking on the Closing Date in favour of SEC, which will be governed by English Law.

Under the terms of the Substitution Undertaking, the Trustee has granted to SEC the right to require the Trustee to transfer, convey and deliver all of the Trustee's rights, title, interests, benefits and other entitlements in and to the Substituted *Ijara* Assets to SEC in exchange for the grant by SEC to the Trustee of the New *Ijara* Assets, on the condition that the value of such New *Ijara* Assets is equal to or greater than the value of the Substituted *Ijara* Assets on the Substitution Date.

The substitution of the New *Ijara* Assets for the Substituted *Ijara* Assets will become effective on the Substitution Date (as specified in the Substitution Notice to be delivered by SEC in accordance with the Substitution Undertaking) by the Trustee and SEC entering into a Substitution Transfer Agreement in substantially the form scheduled to the Substitution Undertaking to effect the transfer of the Substituted *Ijara* Assets by the Trustee to SEC, which is governed by Saudi law.

PURCHASE UNDERTAKING

SEC will enter into the Purchase Undertaking on the Closing Date in favour of the Trustee and the Delegate, which will be governed by English law.

Under the terms of the Purchase Undertaking, SEC, provided there has been no Total Loss Event, irrevocably undertakes to purchase, transfer, convey and deliver all of the Trustee's rights, title, interests, benefits and other entitlements in and to the *Ijara* Assets (or the relevant *Ijara* Assets as identified by SEC in the case of a Change of Control) on: (i) the Scheduled Dissolution Date of the Certificates; or (ii) any earlier due date following the occurrence of a Dissolution Event or a Change of Control, in each case at the relevant Exercise Price. The Exercise Price will be the aggregate of: (i) the outstanding face amount of the Certificates (or the relevant Certificates to be redeemed pursuant to Condition 10.3 in the case of a Change of Control); (ii) any accrued but unpaid Periodic Distribution Amount (excluding any Additional Dissolution Distribution Amount) relating to such Certificates; (iii) any outstanding Service Charge Amount; and (iv) any accrued but unpaid Additional Dissolution Distribution Amount relating to such Certificates (but not including (iii) and (iv) in the case of a Change of Control). An amount equal to the Additional Service Charge Amount to be paid by SEC as part of any Exercise Price and any Additional Service Charge Amount to be paid by the Trustee in accordance with the Servicing Agency Agreement which has not been paid by way of payment of additional supplementary rental under the *Ijara* Agreement shall be set-off against one another.

In order to exercise these rights, the Trustee or the Delegate (as the case may be) is required to deliver an Asset Exercise Notice to SEC under the Purchase Undertaking.

Subject to and promptly following payment in full of the relevant Exercise Price in accordance with the Purchase Undertaking, the parties will enter into a Sale Agreement to effect the transfer by the Trustee to SEC of all of the

Trustee's rights, title, interests, benefits and other entitlements in and to the Ijara Assets. Such Sale Agreement will be governed by Saudi law.

Pursuant to the Purchase Undertaking, SEC will irrevocably undertake that if it breaches any undertaking in Clause 2 of the Purchase Undertaking (*Grant of Rights*) or if it or any administrator, liquidator or receiver of it disputes or challenges the rights, title, interests, benefits and other entitlements of the Trustee in and to the Ijara Assets, SEC shall as a separate and independent obligation fully indemnify the Trustee for the purpose of redemption in full of the Certificates and, accordingly, the amount payable under any such indemnity claim will equal the Exercise Price or the Change of Control Exercise Price, as the case may be.

SALE UNDERTAKING

The Trustee will enter into the Sale Undertaking on the Closing Date in favour of SEC, which will be governed by English law.

Under the terms of the Sale Undertaking, SEC may, following the occurrence of a Tax Event, exercise its rights under the Sale Undertaking to require the Trustee to sell to SEC all of the Trustee's rights, title, interests, benefits and other entitlements in and to the Ijara Assets by delivering an Asset Exercise Notice specifying the Tax Redemption Date, which shall be no later than 30 nor more than 60 days after the date on which the Asset Exercise Notice is given. The consideration payable by SEC upon exercise of the Sale Undertaking shall be an amount equal to the Exercise Price. An amount equal to the Additional Service Charge Amount to be paid by SEC as part of any Exercise Price and any Additional Service Charge Amount to be paid by the Trustee in accordance with the Servicing Agency Agreement which has not been paid by way of payment of additional supplementary rental under the Ijara Agreement shall be set-off against one another.

Under the terms of the Sale Undertaking, SEC may also, in the event of cancellation of Certificates by SEC in accordance with the Declaration of Trust, exercise its rights under the Sale Undertaking to require the Trustee to transfer and convey all of the Trustee's rights, title, interests, benefits and other entitlements in and to the Redemption Ijara Assets by delivering an Asset Redemption Notice no later than five Payment Business Days prior to the Proposed Asset Redemption Date, which shall be a Periodic Distribution Date. The consideration payable by SEC upon such exercise of the Sale Undertaking shall be the delivery of the Certificates for cancellation, provided that, the aggregate value of the Redemption Ijara Assets shall not exceed the aggregate face amount of the cancelled Certificates.

Subject to and promptly following payment in full of the Exercise Price or cancellation of the Certificates, the parties will enter into a Sale Agreement to effect the transfer by the Trustee to SEC of all of the Trustee's rights, title, interests, benefits and other entitlements in and to the Ijara Assets or the Redemption Ijara Assets (as the case may be). Such Sale Agreement will be governed by Saudi law.

THE DECLARATION OF TRUST

The Declaration of Trust will be entered into on the Closing Date between the Issuer, in its capacity as issuer and Trustee, SEC and the Delegate and will be governed by English law.

The Trust Assets in respect of each Series shall comprise: (i) the cash proceeds of the issue of the Certificates of that Series, pending application thereof in accordance with the terms of the Transaction Documents of that Series; (ii) all of the Trustee's rights, title, interests, benefits and other entitlements, present and future, in, to and under the Ijara Assets relating to that Series; (iii) all of the Trustee's rights, title, interests, benefits and other entitlements, present and future, in, to and under the Transaction Documents of that Series (excluding, among others, any representations given to the Trustee by SEC in those Transaction Documents); (iv) all monies standing to the credit of the relevant Transaction Account; and (v) all proceeds of the foregoing.

Pursuant to the Declaration of Trust, the Trustee will, *inter alia*:

- hold the Trust Assets in respect of each Series on trust absolutely for the Certificateholders of that Series as beneficial owners *pro rata* according to the face amount of the relevant Certificates held by each such Certificateholder;

- comply with and perform its obligations, or cause such obligations to be complied with and performed on its behalf in accordance with the terms of the Certificates, the Conditions and the Transaction Documents and observe all the provisions of the Transaction Documents which are expressed to be binding on it; and
- act as trustee in respect of the Trust Assets in respect of each Series, distribute the income from such Trust Assets to the Certificateholders of that Series and perform its duties in accordance with the provisions of the Declaration of Trust.

The Trustee will irrevocably and unconditionally appoint the Delegate to be its attorney and in its name, on its behalf and as its act and deed to execute, deliver and perfect all documents and to exercise all of the present and future duties, powers, trusts, authorities and discretions vested in the Trustee by the Declaration of Trust that the Delegate may consider to be necessary or desirable in order to, upon the occurrence of a Dissolution Event or a Potential Dissolution Event in respect of a Series exercise all of the rights (but not the obligations, liabilities, duties or covenants of the Trustee) of the Trustee under the Purchase Undertaking and any of the other Transaction Documents of that Series and make such distributions from the Trust Assets in respect of that Series as the Trustee is bound to make in accordance with the Declaration of Trust. The appointment of the Delegate is intended to be in the interests of the Certificateholders and does not affect the Trustee's continuing role and obligations as sole trustee.

In addition to the delegation of the relevant powers, certain powers under the Declaration of Trust will be vested solely in the Delegate, including, *inter alios*, the power to convene meetings of Certificateholders, the power to determine the occurrence of a Dissolution Event or a Potential Dissolution Event, the power to waive or authorise a breach of an obligation or determine that a Dissolution Event or Potential Dissolution Event shall not be treated as such, and the power to consent to certain types of amendments to, and agree to any modifications of, any of the Conditions or any Transaction Document or the constitutional documents of the Trustee.

The Declaration of Trust specifies, *inter alia*, that:

- following the enforcement, realisation and ultimate distribution of the net proceeds of the Trust Assets in respect of the Certificates of a Series to the Certificateholders of that Series in accordance with the relevant Conditions and the Declaration of Trust, neither the Issuer nor the Trustee shall be liable for any further sums and, accordingly, the Certificateholders of the relevant Series may not take any action against the Issuer, the Trustee or any other person (including SEC) to recover any such sum in respect of the Certificates of that Series or the Trust Assets in respect of that Series;
- no Certificateholder of a Series shall be entitled to proceed directly against the Issuer, the Trustee or SEC under any Transaction Document of that Series to which either of them is a party unless: (i) the Delegate having become bound so to proceed, fails to do so within 30 days of becoming so bound, or is unable for any reason so to do, and such failure or inability is continuing; and (ii) the relevant Certificateholder (or such Certificateholder together with the other Certificateholders of that Series who propose to proceed directly against the Issuer, the Trustee or SEC (as the case may be)) holds at least 25 per cent. of the then aggregate face amount of the Certificates of the Series outstanding. Under no circumstances shall the Delegate or any Certificateholder of a Series have any right to cause the sale or other disposition of any of the Trust Assets in respect of that Series (other than pursuant to the relevant Purchase Undertaking) and the sole right of the Delegate and the relevant Certificateholders against the Issuer, the Trustee and SEC shall be to enforce their respective obligations under the relevant Transaction Documents;
- the Delegate shall not be bound in any circumstances to take any action to enforce or to realise the Trust Assets in respect of a Series or take any action against the Issuer and/or the Trustee and/or SEC under any Transaction Document of that Series to which any of the Issuer, the Trustee or SEC is a party unless directed or requested to do so: (i) by an Extraordinary Resolution of that Series; or (ii) in writing by the holders of at least 25 per cent. of the then aggregate outstanding face amount of the Certificates of that Series and in either case then only if it is indemnified and/or secured and/or prefunded to its satisfaction against all liabilities to which it may thereby render itself liable or which it may incur by so doing and provided that the Delegate shall not be held liable for the consequences of exercising its discretion or taking any such action and may do so without having regard to the effect of such action;

- the Trustee may from time to time (but always subject to the provisions of the Declaration of Trust), without the consent of the Certificateholders, create and issue additional Certificates on terms and conditions which are the same in all respects as the outstanding Certificates of the relevant Series save for the date and amount of the first payment of the Periodic Distribution Amount and the date from which Periodic Distribution Amounts start to accrue, and so that the same shall be consolidated and form a single series, with the outstanding Certificates, and that any additional Certificates which are to be created and issued so as to form a single series with the Certificates shall be constituted by a Supplemental Declaration of Trust; and
- on the date upon which additional Certificates are created and issued pursuant to the provisions described in the paragraph above and the Purchase Agreement (being the relevant issue date for that Additional Tranche (as defined in the Declaration of Trust)), the Trustee will execute a Declaration of Commingling of Assets for and on behalf of the holders of the existing Certificates and the holders of such additional Certificates so created and issued, declaring that the relevant Additional Assets and the Ijara Assets as in existence immediately prior to the creation and issue of the additional Certificates are commingled and shall collectively comprise part of the Trust Assets for the benefit of the holders of the existing Certificates and the holders of such additional Certificates as tenants in common pro rata according to the face amount of Certificates held by each Certificateholder, in accordance with the Declaration of Trust.

The foregoing sub-paragraphs are subject to this paragraph. After enforcing or realising the Trust Assets in respect of a Series in and distributing the net proceeds of those Trust Assets in accordance with Condition 6.2, the obligations of the Issuer in respect of the Certificates of that Series shall be satisfied and no Certificateholder of that Series may take any further steps against the Issuer, the Trustee, the Delegate or any other person (including SEC) to recover any further sums in respect of the Certificates of that Series and the right to receive any such sums unpaid shall be extinguished. In particular, no Certificateholder of that Series shall be entitled in respect thereof to petition or to take any other steps for the winding-up of the Issuer.

SEC will undertake to the Delegate that, if any amount payable by SEC to the Delegate pursuant to any Transaction Document is not recoverable from SEC for any reason whatsoever or the Trustee or any Certificateholder suffers any cost, expense or loss as a result of the Trustee's holding of the Trust Assets, which cost, expense or loss is not recoverable under the Transaction Documents, then SEC will indemnify the Delegate against all properly incurred losses, claims, costs, charges and expenses, excluding the costs of funding the same, to which it may be subject or which it may incur under or in respect of the Transaction Documents.

Shari'ah Compliance

Each Transaction Document provides that each of the Issuer and SEC agrees that it has accepted the *Shari'ah* compliant nature of the Transaction Documents to which it is a party and, to the extent permitted by law, further agrees that:

- it shall not claim that any of its obligations under the Transaction Documents to which it is a party (or any provision thereof) is ultra vires or not compliant with the principles of *Shari'ah*;
- it shall not take any steps or bring any proceedings in any forum to challenge the *Shari'ah* compliance of the Transaction Documents to which it is a party; and
- none of its obligations under the Transaction Documents to which it is a party shall in any way be diminished, abrogated, impaired, invalidated or otherwise adversely affected by any finding, declaration, pronouncement, order or judgment of any court, tribunal or other body that the Transaction Documents to which it is a party are not compliant with the principles of *Shari'ah*.

SUBSCRIPTION AND SALE

First Abu Dhabi Bank PJSC, HSBC Bank plc, J.P. Morgan Securities plc, MUFG Securities EMEA plc, and Standard Chartered Bank (the **Joint Lead Managers**) have entered into a subscription agreement with the Issuer and SEC dated 15 September 2020 with respect to the Certificates (the **Subscription Agreement**). Subject to certain conditions, each Joint Lead Manager has jointly and severally agreed to subscribe for the Certificates. Pursuant to the Subscription Agreement, the Issuer and SEC have agreed to pay each Joint Lead Manager a commission in consideration for its services provided under the Subscription Agreement, and have agreed to reimburse each of the Joint Lead Managers certain of their expenses in connection with the issue and offering of the Certificates.

The obligations of the Joint Lead Managers are subject to certain conditions set out in the Subscription Agreement, including the receipt by the Joint Lead Managers of officer's certificates and legal opinions. The Subscription Agreement entitles the Joint Lead Managers to terminate the issue of the Certificates in certain circumstances prior to payment to the Issuer.

The Issuer and SEC have given certain representations and warranties to the Joint Lead Managers in the Subscription Agreement, and the Issuer and SEC have agreed to indemnify the Joint Lead Managers on a joint and several basis against certain liabilities in connection with the offer and sale of the Certificates.

Other Relationships

The Joint Lead Managers and their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage services. Certain of the Joint Lead Managers and their affiliates may have performed, and may in future perform, certain investment and commercial banking or financial advisory services for the SEC Group from time to time, for which they may have received, or may in future receive, customary fees and commissions. The Joint Lead Managers and their affiliates have, amongst other things, acted in various roles in financing arrangements to which SEC is party.

To the extent that the Joint Lead Managers or their affiliates have a lending relationship with the SEC Group, they may hedge their credit exposure to the SEC Group consistent with their customary risk management policies. Typically, the Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in SEC's securities, including potentially, the Certificates. Any such short positions could adversely affect future trading prices of the Certificates.

In addition, in the ordinary course of their business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities), including the Certificates, and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/ or instruments of SEC. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

UNITED STATES

The Certificates have not been and will not be registered under the Securities Act, or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from or not subject to, the registration requirements of the Securities Act. Each Joint Lead Manager has represented and agreed that it has not offered, sold or delivered any Certificates, and will not offer, sell or deliver any Certificates (i) as part of its distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S of the Securities Act. Each Joint Lead Manager has further agreed that it will send to each dealer to which it sells any Certificates during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Certificates within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

Until 40 days after the commencement of the offering of the Certificates, an offer or sale of the Certificates within the United States by any dealer that is not participating in the offering of the Certificates may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

UNITED KINGDOM

Each Joint Lead Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (**FSMA**)) received by it in connection with the issue or sale of any Certificate in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or SEC; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Certificates in, from or otherwise involving the United Kingdom.

THE UNITED ARAB EMIRATES (EXCLUDING THE DUBAI INTERNATIONAL FINANCIAL CENTRE AND THE ABU DHABI GLOBAL MARKET)

Each Joint Lead Manager has represented and agreed that the Certificates have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates (excluding the Dubai International Financial Centre and the Abu Dhabi Global Market) other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

THE DUBAI INTERNATIONAL FINANCIAL CENTRE

Each Joint Lead Manager has represented and agreed that it has not offered and will not offer the Certificates to any person in the DIFC unless such offer is:

- (a) an "Exempt Offer" in accordance with the Markets Rules (MKT) Module of the Dubai Financial Services Authority (the **DFSA**) rulebook; and
- (b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the Conduct of Business Module of the DFSA rulebook.

ABU DHABI GLOBAL MARKET

Each Joint Lead Manager represents and agrees that it has not offered and will not offer the Certificates to any person in the ADGM unless such offer is:

- (a) an "Exempt Offer" in accordance with the Markets Rules (MKT) Module of the Financial Services Regulatory Authority (the **FSRA**) rulebook; and
- (b) made only to persons who meet the Professional Client criteria set out in Rule 2.4.1 of the Conduct of Business Module of the FSRA rulebook.

THE STATE OF QATAR (INCLUDING THE QATAR FINANCIAL CENTRE)

Each Joint Lead Manager has represented and agreed that it has not offered, delivered or sold, and will not offer, deliver or sell at any time, directly or indirectly, any Certificates in the State of Qatar (including the Qatar Financial Centre) (**Qatar**), except: (a) in compliance with all applicable laws and regulations of Qatar; and (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in Qatar. This Prospectus: (i) has not been, and will not be, registered with or approved by the Qatar Financial Markets Authority, the Qatar Central Bank, the Qatar Stock Exchange or the Qatar Financial Centre Regulatory Authority and may not be publicly distributed in Qatar; (ii) is intended for the original recipient only and must not be provided to any other person; and (iii) is not for general circulation in Qatar and may not be reproduced or used for any other purpose.

KINGDOM OF SAUDI ARABIA

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the Certificates. Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a **Saudi Investor**) who acquires Certificates pursuant to any offering should note that the offer of Certificates is a private placement under Article 8 of the "Rules on the Offer of Securities and Continuing Obligations" as issued by the Board of the Capital Market Authority pursuant to its resolution number 3-123-2017 dated 9/4/1439H (corresponding to 27/12/2017G) as amended by resolution number 3-45-2018 dated 7/8/1439H (corresponding to 23/04/2018G) and resolution number 1-104-2019 dated 01/02/1441H (corresponding to 30/09/2019G) (the **Rules on the Offer of Securities and Continuing Obligations**), through a person authorised by the Capital Market Authority to carry on the securities activity of arranging and following a notification to the Capital Market Authority under Article 11 of the Rules on the Offer of Securities and Continuing Obligations.

The Certificates may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to "Sophisticated Investors" under Article 9 of the Rules on the Offer of Securities and Continuing Obligations or by way of a limited offer under Article 10 of the Rules on the Offer of Securities and Continuing Obligations. Each Joint Lead Manager has represented and agreed that any offer of Certificates by it (or any of its affiliates) to a Saudi Investor will be made in compliance with Articles 9 to 12 (inclusive) of the Rules on the Offer of Securities and Continuing Obligations.

Each offer of Certificates shall not therefore constitute a "public offer", an "exempt offer" or a "parallel market offer" pursuant to the Rules on the Offer of Securities and Continuing Obligations, but is subject to the restrictions on secondary market activity under Article 15 of the Rules on the Offer of Securities and Continuing Obligations. Any Saudi Investor who has acquired Certificates pursuant to a private placement under Article 9 or Article 10 of the Rules on the Offer of Securities and Continuing Obligations may not offer or sell those Certificates to any person except in accordance with Article 15 of the Rules on the Offer of Securities and Continuing Obligations which is summarized as follows:

- (a) A person (referred to as a "transferor") who has acquired the Certificates pursuant to a private placement may not offer or sell such Certificates to any person (referred to as a "transferee") unless the offer or sale is made through an authorised person and where one of the following requirements is met:
 - (i) the price to be paid for the Certificates in any one transaction is equal to or exceeds SAR 1 million or an equivalent amount;
 - (ii) the Certificates are offered or sold to a sophisticated investor; or
 - (iii) the Certificates are being offered or sold in such other circumstances as the Capital Market Authority may prescribe for these purposes.
- (b) If the requirement in subparagraph (i) of paragraph (a) above cannot be fulfilled because the price of the Certificates being offered or sold to the transferee has declined since the date of the original private placement, the transferor may offer or sell such Certificates to the transferee if their purchase price during the period of the original private placement was equal to or exceeded SAR 1 million or an equivalent amount.
- (c) If the requirement in paragraph (b) above cannot be fulfilled, a transferor may offer or sell the Certificates if he sells his entire holding of such Certificates to one transferee.
- (d) The provisions of paragraphs (a), (b) and (c) above shall apply to all subsequent transferees of such Certificates.

The restrictions in Article 15 of the Rules on the Offer of Securities and Continuing Obligations shall cease to apply upon approval of listing on the Saudi Stock Exchange (Tadawul) of Certificates of the same class as the Certificates that are subject to such restrictions.

BAHRAIN

Each Joint Lead Manager has represented and agreed that it has not offered or sold, and will not offer or sell, any Certificates except on a private placement basis to persons in the Kingdom of Bahrain who are “accredited investors”.

For this purpose, an “**accredited investor**” means:

- (a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.\$1,000,000 or more excluding that person’s principal place of residence;
- (b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.\$1,000,000; or
- (c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

CAYMAN ISLANDS

Each Joint Lead Manager has represented and agreed that no invitation or offer, whether directly or indirectly, to subscribe for the Certificates has been or will be made by it to any member of the public in the Cayman Islands.

HONG KONG

Each Joint Lead Manager has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Certificates other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the **Securities and Futures Ordinance**) and any rules made under the Securities and Futures Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Winding Up and Miscellaneous Provisions) (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, in each case whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Certificates, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to any Certificates which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under the Securities and Futures Ordinance.

SINGAPORE

Each Joint Lead Manager has acknowledged that this Prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore (the **MAS**). Accordingly, each Joint Lead Manager has represented and agreed that it has not offered or sold any Certificates or caused such Certificates to be made the subject of an invitation for subscription or purchase and will not offer or sell any Certificates or cause the Certificates to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Certificates, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the **SFA**)) pursuant to Section 274 of the SFA; (ii) to a relevant person (as defined in Section 275(2) of the SFA) under Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Certificates are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Certificates pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA; or
- (ii) where no consideration is or will be given for the transfer; or
- (iii) where the transfer is by operation of law; or
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivative Contracts) Regulations 2018 of Singapore.

MALAYSIA

Each Joint Lead Manager has represented and agreed that:

- (a) this Prospectus has not been registered as a prospectus with the Securities Commission of Malaysia under the Capital Markets and Services Act 2007 of Malaysia (the **CMSA**); and
- (b) accordingly, the Certificates have not been and will not be offered or sold by it, and no invitation to subscribe for or purchase any Certificates has been or will be made, directly or indirectly, by it nor may any document or other material in connection therewith be distributed by it in Malaysia, other than to persons falling within any one of the categories of persons specified under Schedule 6 or Section 229(1)(b) and Schedule 7 or Section 230(1)(b) and Schedule 8 or Section 257(3), read together with Schedule 9 or Section 257(3) of the CMSA, subject to any law, order, regulation or official directive of the Central Bank of Malaysia, the Securities Commission of Malaysia and/or any other regulatory authority from time to time.

GENERAL

No action has been taken or will be taken in any jurisdiction by the Joint Lead Managers, the Issuer or SEC that would permit a public offering of the Certificates, or possession or distribution of this Prospectus or any supplement hereto or any other offering or publicity material relating to the Certificates, in any country or jurisdiction where action for that purpose is required. Each Joint Lead Manager has undertaken that it will (to the best of its knowledge and belief) comply in all material respects with all applicable laws and regulations in each jurisdiction in which it purchases, offers, sells or delivers Certificates or has in its possession or distributes this Prospectus or supplement hereto or any other offering or publicity material. Persons into whose possession this Prospectus comes are required by the Issuer, SEC and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Certificates or have in their possession, distribute or publish this Prospectus or any other offering or publicity material relating to the Certificates, in all cases at their own expense.

None of the Joint Lead Managers, the Issuer or SEC represents that Certificates may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating any such sale.

TAXATION AND ZAKAT

The statements herein regarding taxation/zakat are based on the laws in force in the Kingdom and the Cayman Islands and elsewhere as at the date of this Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis.

The following summary does not purport to be a comprehensive description of all the tax/zakat considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Certificates and does not purport to deal with the tax/zakat consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective purchasers of the Certificates are advised to consult their own tax/zakat advisers concerning the overall tax/zakat consequences of their ownership of the Certificates.

SAUDI ARABIA

Income Tax

Income tax is applicable on resident capital companies in respect of the shares in those companies directly or indirectly owned by non- Saudi/non-GCC persons, and the shares directly or indirectly owned by persons working in the production of oil and hydrocarbons, whether natural or corporate persons, resident or non-resident.

Persons Subject to Taxation (as defined below) are subject to a tax of 20 per cent. on their taxable income. Corporate income tax in Saudi Arabia is taxed on gross income, as reduced by allowable costs and other adjustments.

Companies resident in Saudi Arabia and wholly owned by Saudi/GCC nationals (through a GCC-based chain of ownership not including any non-GCC entity in the ownership structure) are subject to Zakat, instead of income tax, on its net assessable funds, being the higher of Zakat-adjusted income and the Zakat base.

Companies owned jointly by Saudi/GCC and non-Saudi/non-GCC nationals are proportionately subject to tax and Zakat. In determining the tax/Zakat profile of an entity, the General Authority of Zakat and Tax (GAZT) normally apply a “look- through” approach to determine whether the up-stream shareholding structure at any point exists outside of the GCC.

Zakat

Zakat is a religious obligation imposed on Muslims under Shari'a rules. In the past Zakat has been imposed based on various Fatwas issued by the religious scholars based on shariah Principles and also based on the various circulars issued by the GAZT from time to time. In 2017 zakat implementing regulations of Saudi Arabia were issued by the Ministry of Finance under Ministerial Resolution No. 2082 dated 28 February 2017 (the **Zakat Regulations**). The Zakat Regulations are effective from the date of their issuance and supersede all prior directives, resolutions, instructions and circulars issued by GAZT. Subsequently in 2019, the Ministry of Finance has issued new Zakat implementing regulations under Ministerial Resolution No. 2216 dated 07/07/1440H (corresponding to 14/03/2019G) (the **New Zakat Regulations**). The New Zakat Regulations came into effect (and replaced the existing Zakat Regulations) for financial years starting from 1 January 2019. According to the New Zakat Regulations, Zakat is assessed on Saudi/GCC nationals or entities owned by Saudi/GCC nationals carrying out business activities in the Kingdom.

As per the New Zakat Regulations, a Permanent Establishment of a GCC Person in Saudi Arabia is subject to Zakat (and not corporate income tax) provided at least two of the following three conditions are met in respect of central management of such Permanent Establishment (as set out under Chapter 1 – Article 2(4)):

- (a) board of directors' ordinary meetings which are held regularly and where main policies and decisions relating to management and running of the Permanent Establishment's business are held and made in Saudi Arabia;
- (b) senior executive decisions relating to the Permanent Establishment's functions such as executive directors /deputies' decisions are made in Saudi Arabia; and

- (c) the Permanent Establishment's business is mainly (i.e., 50 per cent. of its revenues) generated from Saudi Arabia.

Under the new Zakat Regulations, Zakat on 'Zakat base' is computed at the rate of 2.5778 per cent. for Zakat payers who follow the Gregorian year as their accounting period. However, if Zakat is computed on 'net adjusted profits', then the rate remains at 2.5 per cent.

Under the Zakat Regulations, investments in non-governmental debt securities, such as investments in bonds, sukuk, notes, currencies, deposits or forward transactions (whether issued inside or outside Saudi Arabia or whether classified as short-term or long-term investments) are not deductible from the Zakat base for purposes of determining the Zakat base (based on the Zakat Regulation and current practice of GAZT).

Withholding Tax

Saudi Arabian resident persons and permanent establishments of non-resident entities in Saudi Arabia are required to withhold taxes on payments to non-residents, including GCC residents, if such payment is from a source in the Kingdom. Withholding tax rates vary from 5 per cent. to 20 per cent. depending on the nature of the underlying payment. Rental charges and loan fees (akin to interest) charges paid to non-residents attract a 5 per cent. withholding tax.

Withholding tax unless such Withholding tax is reduced or eliminated pursuant to the terms of an applicable double tax treaty.

Application of double tax treaties in Saudi Arabia may take place under one of two methods: (i) a refund mechanism which requires the payor to subject the relevant payment to withholding tax and then a refund request of the withholding tax may be submitted to GAZT; or (ii) the automatic application of double tax treaties which provides for the possibility of the payor to not subject the relevant payment to withholding tax in the first place. Both mechanisms require the beneficiary/recipient to provide certain documents and forms to GAZT (such as, among others, a tax residency certificate).

Withholding tax implications in connection with the transaction

Since the Trustee is not a Saudi resident, the payment of rentals by SEC to the Trustee pursuant to the Ijara Agreement will be subject to a 5 per cent. withholding tax on the rental payments in accordance with the Income Tax Regulations. Under the Income Tax Regulations, SEC will be responsible for withholding and settling the amount of withholding tax with the GAZT on payments in connection with the rental payments. If such payments are subject to any withholding or deduction on account of tax in Saudi Arabia, the Ijara Agreement provides for SEC to pay additional amounts so that the Trustee will receive the full amount which otherwise would have been due and payable under the relevant Transaction Documents.

Value Added Tax (VAT)

The sale, lease and purchase of the *Ijara* Assets by SEC pursuant to the Transaction Documents falls under Article 29(4) of the regulations issued by the Board of Directors of GAZT by Resolution No. 3839 dated 141838/12/H, implementing the VAT Law under Royal Decree No. M/113 dated 21438/11/H KSA issued by the Kingdom, when read with Edition 1 of the GAZT VAT Islamic Finance guidelines, as a *Shari'ah* compliant financing product involving a temporary transfer of assets and should be treated as outside the scope of VAT in the Kingdom.

GAZT may consider that any maintenance services provided by SEC to the Trustee under each Servicing Agency Agreement are subject to VAT at the rate of 15 per cent. However, SEC considers there to be a strong argument that the provision of the related maintenance services should be considered as an integral part of any temporary transfer of assets under a *Shari'ah* compliant financing product and, therefore, not subject to VAT.

To the extent any VAT is payable in connection with any provision of maintenance services or any of the other transactions under the Transaction Documents, such VAT will be payable by SEC in accordance with the Transaction Documents.

Certain tax and Zakat implications for Certificateholders

A. GCC Certificateholders who are Resident in Saudi Arabia

Certificateholders who are GCC persons (as defined below) and resident (as defined below) in Saudi Arabia are not subject to Saudi Arabian tax, whether by withholding or direct assessment, in respect of any payment or gain realised in respect of the Certificates. However, such Certificateholders could be subject to Zakat if the ownership of the Certificates is attributable to their business activities. This summary does not consider the extent to which such Certificateholders would be liable to Zakat as a consequence of acquiring, holding or disposing of its Certificates. Under the Zakat regulations which are in effect as of the date of this Prospectus in Saudi Arabia, long-term investments in Certificates are not deductible in calculating the net Zakat base of the investor.

A natural person with a permanent residence in Saudi Arabia

A natural person who is resident in Saudi Arabia will not be subject to Zakat and tax, whether by withholding or direct assessment, in respect of payments in the nature of profits or gain realized in respect of the Certificates, provided the ownership of Certificates is not attributable to any business activities conducted by the natural person.

A legal entity established under the law of a GCC country other than Saudi Arabia, with a Permanent Establishment in Saudi Arabia.

A legal entity of a GCC country having a Permanent Establishment in Saudi Arabia (i.e. a branch of a GCC legal entity), will be subject to Saudi Arabian corporate tax on the income of the Permanent Establishment, including any income from the Certificates, which is attributable to a Permanent Establishment. All payments in the nature of profit (except capital gains arising from disposal of securities traded on Saudi stock exchange) in respect of the Certificates will be part of such Certificateholder's gross income, if the payment is attributable to the Permanent Establishment. The gross income, less deduction of allowable costs and certain other adjustments, will be subject to income tax at the current rate of 20 per cent.

Furthermore, any transfer of the profit to the head office of the Permanent Establishment will be considered to be a distribution of profit and will be subject to a further 5 per cent. withholding tax.

B. Non-GCC Certificateholders who are Resident in Saudi Arabia

Certificateholders who are non-GCC persons (excluding natural persons) resident in Saudi Arabia, defined in Article 3 of the Income Tax Regulation, will be subject to corporate tax.

All payments in the nature of profit (except capital gains arising from disposal of securities traded on Saudi stock exchange) in respect of the Certificates will be part of the Certificateholder's gross income. The gross income, less deduction of allowable costs and certain other adjustments, will be subject to corporate tax at the current rate of 20 per cent.

C. Certificateholders who are Non-resident in Saudi Arabia

Certificateholders, either natural persons or legal entities, who are not resident in Saudi Arabia (whether such Certificateholders are Saudi Arabian nationals or non-Saudi Arabian nationals, including Certificateholders resident in the GCC) should not be subject to Saudi Arabian withholding tax on any payments received by them from the Issuer, in respect of the Certificates, on the basis that such payments are received from, prima facie, a non-Saudi resident Trustee entity. As mentioned above, payments to the non-resident Trustee will be subject to a 5 per cent. withholding tax

Certificateholders who are non-residents with a Permanent Establishment in Saudi Arabia (as defined in Article 4 of the Income Tax Regulation), will be subject to Saudi Arabian income tax on a Permanent Establishment's income, including income from the Certificates which is attributable to a Permanent Establishment. Furthermore, pursuant to Article 63 of the Implementing Regulations of the Income Tax Regulation, a Permanent Establishment will be subject to a withholding tax at the rate of 5 per cent on remittance of profits to its head office.

D. General

Natural persons who are Certificateholders at the time of their death are generally not subject to inheritance or other taxes of a similar nature in Saudi Arabia, although distribution on inheritance is considered a disposal of the asset for tax purposes.

Certificateholders will not be deemed to be resident, domiciled or carrying on business in Saudi Arabia solely by reason of holding any Certificates.

For the purposes of this summary:

GCC person means (a) a citizen of any of the member countries of the Cooperation Council of the Arab States of the Gulf (namely, Saudi Arabia, the United Arab Emirates, the Kingdom of Bahrain, the Sultanate of Oman, the State of Qatar and the State of Kuwait) and (b) any legal entity owned by GCC citizens and established under the laws of a GCC country with no non-GCC entity in the chain of ownership between GCC citizens and the legal entity;

GAZT means the General Authority of Zakat and Tax;

Income Tax Regulation means the Income Tax Regulation issued under Royal Decree No. M/1 dated 15/01/1425H) (corresponding to 06/03/2004G);

Persons Subject to Taxation as defined in Article 2 of the Income Tax Regulation, are

- i. a resident capital company on non-Saudi shares,
- ii. a resident non-Saudi natural person who carries on business activities in the Kingdom,
- iii. a non-resident who carries on business activities in the Kingdom through a Permanent Establishment,
- iv. a non-resident, on other income subject to tax from sources within the Kingdom,
- v. a person engaged in the field of natural gas investment, and
- vi. a person engaged in the production of oil and hydrocarbon materials.

Permanent Establishment means a permanent enterprise of a non-resident in Saudi Arabia which represents a permanent place for the non-resident's activity where it conducts the activity either fully or partly; this also includes the activities conducted by the non-resident through a dependent agent (dependent agent having the meaning specified in the Income Tax Regulation). A non-resident carrying out an activity in Saudi Arabia through a licensed branch (as defined in Article 4(b) 4 of the Income Tax Regulation) is considered to have a Permanent Establishment in Saudi Arabia;

A person is **resident** in Saudi Arabia (as defined in Article 3 of the Income Tax Regulations):

- a) A natural person is considered a resident in Saudi Arabia for a taxable year if he meets either of the two following conditions:
 - i. he has a permanent place of abode in Saudi Arabia and is physically residing in Saudi Arabia for a period, in aggregate, of not less than 30 days during the taxable year; or
 - ii. he is physically residing in Saudi Arabia for a period of not less than 183 days in the taxable year.

For the purposes of this paragraph, residence in Saudi Arabia for part of a day is considered residence for the whole day, except in the case of a person in transit between two points outside Saudi Arabia.

- b) A company is considered resident in Saudi Arabia during the taxable year if it meets either of the following conditions:
 - i. it is formed in accordance with the Saudi Arabian Companies Regulations; or
 - ii. its central management is located in Saudi Arabia.

CAYMAN ISLANDS

There are no income, corporation, capital gains or other taxes in effect in the Cayman Islands on the basis of present legislation. The Issuer has applied for and expects to obtain an undertaking from the Governor-in-Cabinet of the Cayman Islands, pursuant to the Tax Concessions Law (as amended) of the Cayman Islands, that for a period of 30 years from the date of grant of that undertaking no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Issuer or its operations and, in addition, that no tax to be levied on profits, income, gains or appreciations which is in the nature of estate duty or inheritance tax shall be payable on or in respect of the shares, debentures or other obligations (which would include the Certificates) of the Issuer or by way of the withholding in whole or part of any relevant payment (as defined in the Tax Concessions Law (as amended)). No capital or stamp duties are levied in the Cayman Islands on the issue or redemption of Certificates. An instrument of transfer in respect of Certificates may be stampable if executed in or brought to the Cayman Islands. An annual registration fee is payable by the Issuer to the Cayman Islands Registry of Companies which is calculated by reference to the nominal amount of its authorised capital. At current rates, this annual registration fee is approximately U.S.\$853.66. The foregoing is based on current law and practice in the Cayman Islands and this is subject to change therein.

FOREIGN ACCOUNT TAX COMPLIANCE ACT

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes (**foreign passthru payments**) to persons that fail to meet certain certification, reporting, or related requirements. The Trustee may be a foreign financial institution for these purposes. A number of jurisdictions (including the Cayman Islands) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (**IGAs**), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Certificates, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Trust Certificates, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Certificates, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and Certificates characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are published generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date.

GENERAL INFORMATION

AUTHORISATION

The issue of the Certificates has been duly authorised by a resolution of the Board of Directors of the Issuer dated 7 July 2020. The Issuer has obtained all necessary consents, approvals and authorisations in the Cayman Islands in connection with the issue and performance of the Certificates and the execution and performance of the Transaction Documents. The entry into the Transaction Documents has been duly authorised by a resolution of the Board of Directors of SEC on 11/06/1441H (corresponding to 05/02/2020G).

LISTING

Application has been made to Euronext Dublin for the Certificates to be admitted to the Official List and trading on the Euronext Dublin Regulated Market. It is expected that the listing of the Certificates on the Official List and admission of the Certificates to trading on the Euronext Dublin Regulated Market will be granted on or around 17 September 2020. The total expenses related to the admission to trading on the Euronext Dublin Regulated Market are estimated to be €17,540.

DOCUMENTS AVAILABLE

For so long as any Certificates remain outstanding, copies (and English translations where the documents in question are not in English) of the following documents will be available for inspection from <https://www.se.com.sa/en-us/invshareholder/Pages/default.aspx>:

- (a) the Transaction Documents other than the Subscription Agreement;
- (b) the Memorandum and Articles of Association of the Issuer;
- (c) the constitutional documents of SEC;
- (d) the Green Sukuk Framework;
- (e) the Vigeo Eiris Opinion; and
- (f) this Prospectus.

CLEARING SYSTEMS

The Certificates have been accepted for clearance through Euroclear and Clearstream (which are the entities in charge of keeping the records).

The ISIN for the 2025 Certificates is XS2203995670, as updated, as set out on the website of the Association of National Numbering Agencies or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN. The Common Code for the 2025 Certificates is 220399567.

The ISIN for the 2030 Certificates is XS2203996306, as updated, as set out on the website of the Association of National Numbering Agencies or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN. The Common Code for the 2030 Certificates is 220399630.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream is Clearstream Banking S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg.

SIGNIFICANT OR MATERIAL CHANGE

There has been no significant change in the financial or trading position of the Issuer and no material adverse change in the prospects of the Issuer, in each case, since the date of its incorporation.

There has been no significant change in the financial performance or position of SEC and its subsidiaries, taken as a whole since 30 June 2020 and there has been no material adverse change in the prospects of SEC and its subsidiaries, taken as a whole, since 31 December 2019.

LITIGATION

The Issuer is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer.

SEC and certain of its subsidiaries are currently involved in a number of legal proceedings. See “*Description of the SEC Group’s Business – Litigation*”. It has also been involved in a number of disputes with Saudi Aramco, its sole supplier of fuel. See “*Description of the SEC Group’s Business – Disputes with Saudi Aramco*”. While SEC cannot predict the final outcome of such legal proceedings and disputes, SEC is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which SEC is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of SEC.

AUDITORS

The first financial period of the Issuer will end on 31 December 2020. The Issuer has no subsidiaries. The Issuer is not required by Cayman Islands law, and does not intend, to publish audited financial statements or appoint any auditors.

KPMG Al Fozan & Partners (a member firm of KPMG International Cooperative, a Swiss entity), of Riyadh Front, Airport Road P. O. Box 92876, Riyadh 11663, Kingdom of Saudi Arabia have audited, and delivered unqualified audit reports on, the 2018 Financial Statements and the 2019 Financial Statements (which have each been audited in accordance with IFRS adopted in Saudi Arabia and the other standards and guidelines approved by SOCPA). KPMG Al Fozan & Partners do not have any material interest in SEC.

SHARI’AH ADVISORY BOARDS

The transaction structure relating to the Certificates (as described in this Prospectus) has been reviewed by the *Shari’ah* Advisers. Prospective Certificateholders should not rely on this review in deciding whether to make an investment in the Certificates and should consult their own *Shari’ah* advisers as to whether the proposed transaction is in compliance with *Shari’ah* principles.

LISTING AGENT

Walkers Listing Services Limited is acting solely in its capacity as listing agent for the Trustee in relation to the Certificates and is not itself seeking admission of the Certificates to the Official List or to trading on the Euronext Dublin Regulated Market.

MISCELLANEOUS

The language of this Prospectus is English. Certain technical legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

ISSUER AND TRUSTEE

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SEC

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To SEC

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To the Joint Lead Managers and the Delegate

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