



SUPPLEMENTARY PROSPECTUS
SAUDI ELECTRICITY COMPANY

(a joint stock company incorporated under the laws of the Kingdom of Saudi Arabia on 30/12/1420H (corresponding to 5/4/2000G))
Commercial Register Number 1010158683

This prospectus is a supplementary prospectus (the “**Supplementary Prospectus**”) and must be read in conjunction with the prospectus dated 27/3/1435H (corresponding to 28 January 2014G) issued by Saudi Electricity Company (“**SEC**”) in respect of the issuance and public offering of sukuk al-istithmar expiring 2054G with a nominal value of SAR 1,000,000 per *Sak* (the “**Prospectus**”).

This Supplementary Prospectus includes information given in compliance with the Listing Rules issued by the Saudi Arabian Capital Market Authority (the “**Authority**”). The directors, whose names appear in page 73 of the Prospectus, collectively and individually accept full responsibility for the accuracy of the information contained in this Supplementary Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no facts the omission of which would make any statement herein misleading. The Authority and the Saudi Stock Exchange “Tadawul” do not take any responsibility for the contents of this Supplementary Prospectus, do not make any representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Supplementary Prospectus.

Joint Lead Managers, Joint Bookrunners and Underwriters

HSBC



السعودي الفرنسي كاييتال
Saudi Fransi Capital



This supplementary prospectus is issued on 27/3/1435G (corresponding to 28/1/2014G)

1. Important Notice

The directors of SEC confirm that this Supplementary Prospectus has been presented to the Authority and was issued on 27/3/1435H (corresponding to 28 January 2014G) and that it is supplementary to the Prospectus dated 27/3/1435H (corresponding to 28 January 2014G) and issued by SEC.

The directors of SEC confirm that as at the date of this Supplementary Prospectus there have been no significant changes in material matters set out in the Prospectus or additional significant matters that have arisen other than as disclosed in this Supplementary Prospectus.

This Supplementary Prospectus must be read in conjunction with the Prospectus. This Supplementary Prospectus is not a recommendation on the part of the Issuer, the Joint Lead Managers, Joint Bookrunners and Underwriters or any other advisors to purchase the Sukuk. Each recipient of this Supplementary Prospectus is responsible for obtaining independent professional advice as this Supplementary Prospectus is prepared without regard to the individual objectives or financial situation of any investor.

Unless otherwise stated, terms used herein shall have the same meaning attributed to them in the Prospectus.

An investor who has subscribed for Sukuk prior to the announcement of this Supplementary Prospectus is permitted to rescind or amend his subscription for such securities prior to the end of the offering period, as provided by article 24(c) of the Listing Rules. However, due to the short period of time available between the publication of this Supplementary Prospectus on the website of the Authority and the end of the offering period, investors who have subscribed to the Sukuk may withdraw or rescind their subscriptions after the end of the offering period for a period up to and including 21/3/1435H corresponding to 22 January 2014G, though no new applications for subscription will be accepted after the end of the offering period.

The offering, sale and delivery of the Sukuk is limited to Qualified Persons and the primary distribution of the Sukuk will only be to Institutional Investors, though Qualified Persons who are not Institutional Investors may subsequently be able to purchase Sukuk from Institutional Investors after the end of the offer period and the completion of the subscription process. SEC hereby advises the recipients of this Supplementary Prospectus to refer to all of the restrictions and limits set out in the Prospectus and to adhere thereto.

2. Purpose of this Supplementary Prospectus

The Listing Rules require an issuer to prepare a supplementary prospectus if, at any time after the prospectus has been published and before listing, the issuer becomes aware that:

- (a) there has been a significant change in material matters contained in the prospectus or any document required by the Listing Rules; or
- (b) additional significant matters have become known which would have been required to be included in the prospectus.

SEC has become aware of new information which occurred after the date of publication of the Prospectus. SEC regards such information as significant changes in material matters contained in the Prospectus or as additional significant matters which would have been required to be included in the Prospectus.

3. New Information

(a) Execution of financing and power purchase agreements for the Rabigh II IPP

As stated in the section “*Summary of Basic Information – Vision, Mission and Overall Strategy – Increase generation capacity*” of the Prospectus (page 18), SEC has begun the process of establishing an additional IPP in the Rabigh area (the Rabigh II IPP). The following are additional details relating to the Rabigh II IPP project.

“Summary of Basic Information – Vision, Mission and Overall Strategy – Increase of Generation Capacity” (page 18 of the Prospectus)

The financing arrangements relating to the Rabigh II IPP were put in place in late 2013G. The Rabigh II IPP project will be established, developed, owned, operated and maintained by Morjan for Electricity Production Company, which is currently a wholly-owned subsidiary of SEC. By way of a capital increase, Rabigh Investment Company, a company jointly-owned by the two successful bidders, the International Company for Water and Power Projects (ACWA) and

Samsung C&T Corporation Saudi Arabia, will subscribe at par to 50 per cent. of the shares of Morjan for Electricity Production Company pursuant to a subscription agreement dated 30 November 2013.

“Description of SEC– Electricity generation - IPPs and IWPPs” (page 59 of the Prospectus)

SEC concluded on 30 November 2013G a long-term power purchase agreement with Morjan for Electricity Production Company in connection with the Rabigh II IPP under which it will be the sole offtaker of the plant’s power output and capacity for 20 years starting from the project’s commercial operations date. The target production capacity of this IPP is 2,060MW using natural gas as the main fuel and superlight Arabian crude as back-up fuel.

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

Type	Name	Power capacity	Status	SEC ownership interest	Power agreement	purchase
IWPPs	Al-Jubail	2,750 MW	Operational	8 per cent.	20 years, through WEC	
	Shuqaiq	850 MW	Operational	8 per cent.	20 years, through WEC	
	Shuaibah	900 MW	Operational	8 per cent.	20 years	
IPPs	Rabigh	1,204 MW	Operational	20 per cent.	20 years	
	Riyadh	1,729 MW	Operational	50 per cent.	20 years	
	Qurayyah	3,927 MW	Under construction (completion expected by 2014G)	50 per cent.	20 years	
	Rabigh II	2,060 MW	Under construction (completion expected by 2017G)	50 per cent.	20 years	

“Description of SEC– Subsidiaries and Principal Investments- Morjan for Electricity Production Company” (page 66 of the Prospectus)

Morjan for Electricity Production Company is a wholly-owned subsidiary of SEC that was established for the purpose of owning the Rabigh II IPP project. By way of a capital increase, Rabigh Investment Company, a company jointly-owned by the two successful bidders, the International Company for Water and Power Projects (ACWA) and Samsung C&T Corporation Saudi Arabia, will subscribe at par to 50 per cent. of the shares of Morjan for Electricity Production Company pursuant to a subscription agreement dated 30 November 2013.

“Legal Information - Power Purchase Agreement (pp 158 – 160 of the Prospectus)

The following is a summary of the Power Purchase Agreement (the “PPA”) related to the Rabigh II IPP project executed on 30 November 2013G by SEC and Morjan for Electricity Production Company, which will be responsible for the project.

PPA between the Company, Rabigh Investment Company and Morjan for Electricity Production Company

SEC entered into an agreement (the “**Agreement**”) with Morjan for Electricity Production Company (“**Morjan**”) on 30 November 2013G, which sets out *inter alia* the terms on which Morjan will undertake the project and provide electrical energy and power capacity to SEC and under which SEC will supply fuel to the power generation plant comprising of three groups of gas and steam turbines, seawater intake and outfall facilities, fuel facilities and associated facilities and infrastructure (the “**Plant**”). The Electrical Special Facilities (as defined in the Agreement and which include electrical equipment and facilities necessary for SEC to take and transmit electrical power) once constructed are to be transferred to SEC. The term of the Agreement is 20 years from the project’s commercial operation date unless otherwise extended or earlier terminated in accordance with the provisions of the Agreement. The commercial operation date is to occur on the later of 1 July 2017G and the date following successful completion of the testing and the test procedures which demonstrate that the Plant has attained the minimum criteria for commercial operations. SEC is under an obligation to supply fuel for the purposes of testing, commissioning and ongoing operation of the Plant. The fuel to be supplied must conform to the Reference Fuel Specification (as defined in the Agreement). Fuel risk

therefore lies with SEC. The tariff is comprised of two main elements: (i) capacity payment; and (ii) electrical energy payment. There are two categories of force majeure event: (i) natural force majeure; and (ii) political force majeure. This distinction is consistent with the approach adopted in other independent power projects. A prolonged force majeure event will occur where a party is prevented from performing its obligations under the Agreement as a result of a force majeure event for a continuous period of 365 days. The Agreement may be terminated for non-occurrence of the Closing Date, Project Company Events of Default, SEC Events of Default and prolonged Force Majeure (each as defined in the Agreement). The termination payment amount payable by SEC is dependent on the underlying cause of termination.

(b) Restructuring of SEC Group and Electricity Sector in the Kingdom

The Prospectus referred to the Government's initiative to promote competition in the electricity industry through restructuring the SEC Group and transferring generation, transmission and distribution activities to subsidiaries of SEC in the following sections:

- *“Risk Factors - Factors Relating to SEC's Business and the Market in which it operates – 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” (page 45).*
- *“Risk Factors - Factors Relating to SEC's Business and the Market in which it operates. The SEC Group may become subject to competition” (pp. 46-47).*
- *“Description of SEC - Business Units –Distribution” (Page 61).*
- *“Description of SEC - Restructuring of the SEC Group” (pp. 62-64).*
- *“Sukuk Assets” (pp. 136-141).*

SEC is currently coordinating with ECRA in relation to the arrangements necessary for the restructuring of the SEC Group, including certain additional details relating to the restructuring process, most notably the following:

- Establishment of the “independent system operator” to be an independent unit within SEC responsible for preparing the development plan for the electricity system the development, management and operation of control centres.
- Further to the statement in the Prospectus that SEC will continue to be the purchaser of fuel for the SEC Group, SEC may establish a new entity within SEC to serve as the “main purchaser”, which shall report directly to the CEO of SEC.
- While the Prospectus states that SEC currently has no plans to sell any interest in the GENCOs, National Grid or the distribution subsidiary, SEC will, in coordination with ECRA conduct a review of its plans and prepare a comprehensive study of the electricity sector, including its vision for the future of the sector and the available options for promoting competition and increasing efficiency.
- While the Prospectus states that the distribution company, once established, will lease the distribution network to SEC, SEC would like to clarify that no decision has yet been made on the nature of the relationship between SEC and the distribution company in relation to the distribution network and that any future arrangements between the two companies remain subject to study by both SEC and ECRA.

(c) CEO of SEC

“Management and Employees - Executive Management” (pp. 81-84 of the Prospectus)

The Prospectus stated that it has been resolved to appoint Engineer Ziyad Mohammed Al-Shiha to replace Engineer Ali Bin Saleh Al-Barrak as the CEO of SEC, effective as of 1 January 2014G. Engineer Ziyad Al-Shiha has now assumed office as CEO and has also replaced Mr. Al-Barrak on SEC's executive committee and remuneration, nominations and human resources committee. Below is an overview of the new CEO's qualifications.

Engineer Ziyad Mohammad Al-Shiha, CEO

Engineer Al-Shiha was appointed as the CEO of SEC on 1 January 2014G. He had previously been appointed to the Board by the general meeting of the shareholders held in January 2012G as the representative of Saudi Aramco, before being replaced in that position by Engineer Abdul Hamid Bin

Ahmad Al-Omair in 2013G. He joined Saudi Aramco in 1984G as a trainee in the pipelines department. He joined the professional development programme as an engineer in 1988G and since then he has held positions such as Manager of New Business Development, Manager of Public Relations, and Manager of Facilities Planning. He has worked within Saudi Aramco in various departments inside and outside of the Kingdom, including Operations and Maintenance, Engineering and Projects, oil and gas facilities and pipelines inside and outside the Kingdom. He also served as Vice President for General Planning for one of Saudi Aramco's international joint ventures in the Republic of the Philippines. Engineer Al-Shiha obtained a Bachelor's Degree in Electrical Engineering from King Fahd University of Petroleum & Minerals, Saudi Arabia in 1988G and a Master's Degree in Electrical Engineering (Control Systems) from Rice University, USA in 1991G, and an Executive MBA from Massachusetts Institute of Technology, USA in 2006G. He served as a board member for Petron Corporation, a Philippine public corporation in the oil and gas sector, from 2002G to 2004G, and for Saudi Aramco Energy Ventures, a limited liability company wholly-owned by Saudi Aramco operating in the field of investment in power technologies, from 2011G to 2013G.

The table below sets out details of SEC's current executive management team.

Name	Title
Engineer Ziyad Mohammed Al-Shiha	Chief Executive Officer
Engineer Fouad Bin Juwaied Al-Shuraiby	Executive Vice President – Generation
Engineer Sa'ad Bin Hamad Al-Mansour	Executive Vice President – Distribution & Customer Services
Mr. Ahmed Bin Mohammed Al-Jugaiman	Executive Vice President – Finance
Engineer Saleh Bin Naser Al-Sohaibani	Executive Vice President – Engineering & Projects
Mr. Mubarak Ahmed Al-Mulhim	Executive Vice President – Planning & Performance Monitoring
Mr. Nazeer A Mohsen Khashqaji	General Auditor
Mr. Mutlaq Bin Mohammed Al-Mutlaq	Senior Vice President – Legal Affairs
Mr. Mohammed I Gaddourah	Senior Vice President – General Services
Mr. Abdul Salam Bin Abdulaziz Al-Yemni	Senior Vice President – Public Affairs
Mr. Ibrahim Mohammed Balghonaim	Senior Vice President – Human Resources
Engineer Abdulkarim Bin Abdullah Al-Zakari	Senior Vice President – Supply Chain & Contracting
Dr. Mohammad Oayedh Faraj	CEO, National Grid, Saudi Arabia

4. **Change of Control Purchase Event**

In response to feedback received from potential investors during the Investor Presentation Period, SEC has agreed to incorporate a new Condition 11.3 in the Terms and Conditions of the Sukuk. Under this new Condition, a Sukukholder may require the Issuer to purchase all or any of its Sukuk upon the occurrence of a Change of Control, provided that Sukukholders holding at least 25 per cent. in aggregate of the Nominal Amount of the Sukuk as are current at such time (the "**Required Sukukholders**") have delivered Purchase Notices to the Sukukholders' Agent in respect of the Change of Control in accordance with Condition 11.3.

Under the terms of the Purchase Undertaking, the Issuer will grant to the Sukukholders' Agent the right, following a Change of Control and the delivery by the Required Sukukholders of Purchase Notices to the Sukukholders' Agent in accordance with Condition 11.3, to require the Issuer to purchase the relevant Sukuk from the Sukukholders that have delivered Purchase Notices at the relevant Change of Control Purchase Price.

For the purposes of the new Condition 11.3 and the Purchase Undertaking, a "**Change of Control**" shall occur if at any time 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 the Issuer or to control, directly or indirectly, the Issuer.

As a consequence of the addition of Condition 11.3 as described above, the following new definitions have been added to Condition 1 of the "*Terms and Conditions of the Sukuk*":

a "**Change of Control**" shall occur if at any time 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 the Issuer or to control, directly or indirectly, the Issuer;

"**Change of Control Exercise Date**" has the meaning given to it in Condition 11.3;

"**Change of Control Exercise Period**" has the meaning given to it in Condition 11.3;

"**Change of Control Notice**" has the meaning given to it in Condition 11.3;

"**Change of Control Purchase Price**" means, in relation to each Sak that is the subject of a Purchase Notice, the amount calculated in accordance with the following formula on the Change of Control Exercise Date:

$$(A/B) * P + D$$

where:

A = the Nominal Amount of the Sak;

B = the aggregate of the Nominal Amount of the Sukuk as are current on the Change of Control Exercise Date;

P = the applicable Purchase Price as at the Change of Control Exercise Date; and

D = the aggregate of the Periodic Distribution Amounts that have accrued in respect of that Sak but remain unpaid as at the Change of Control Exercise Date.

In addition, the following definitions:

"**Exercise Notice**" has the meaning given to it in Condition 11 (*Exercise Events*);

"**Prospectus**" means the Prospectus dated 27/3/1435H (corresponding to 28 January 2014G) relating to the Sukuk;

"**Required Sukukholders**", as of any date, means Sukukholders of at least 33^{1/3} per cent. in aggregate of the Nominal Amount of the Sukuk as are current on such date;

have been amended to read (respectively) as follows:

"**Exercise Notice**" means a notice from the Sukukholders' Agent to the Issuer, substantially in the form set out in Appendix I, Part (D) to the Prospectus;

"**Prospectus**" means the Prospectus dated 27/3/1435H (corresponding to 28 January 2014G) relating to the Sukuk and the Supplementary Prospectus relating thereto dated 27/3/1435H (corresponding to 28 January 2014G) and any other supplementary prospectus relating to the foregoing;

"**Required Sukukholders**" means, as of any date:

- (a) for the purposes of Condition 11.3, Sukukholders of at least 25 per cent. in aggregate of the Nominal Amount of the Sukuk as are current on such date; and
- (b) for all other purposes, Sukukholders of at least 33^{1/3} per cent. in aggregate of the Nominal Amount of the Sukuk as are current on such date;

Based on the foregoing:

- (a) the section of the Prospectus entitled "*Terms and Conditions of the Sukuk*" (pp. 115-135) shall be replaced in its entirety by the terms and conditions set out in Annex 1 to this Supplementary Prospectus;

- (b) each reference to “a Condition” or “the Conditions” in the Prospectus shall be deemed to refer to a condition or the conditions set out in Annex 1 to this Supplementary Prospectus;
- (c) Appendix I, Part (C) of the Prospectus shall be replaced in its entirety by Annex 2 to this Supplementary Prospectus; and
- (d) Appendix I, Part (D) of the Prospectus shall be replaced in its entirety by Annex 3 to this Supplementary Prospectus.

ANNEX 1

TERMS AND CONDITIONS OF THE SUKUK

The following is the text of the Terms and Conditions of the Sukuk which (subject to completion and amendment) will be attached and (subject to the provisions thereof) apply to the Global Sak:

Introduction

An application has been made to register the Sukuk on the Official List maintained by the Capital Markets Authority (the "**Authority**") of the Kingdom of Saudi Arabia (the "**Kingdom**").

Each of the Sukuk Al-istithmar expiring 2054G (the "**Sukuk**") represents an undivided beneficial ownership interest in the Sukuk Assets (as defined herein) and will at all times rank *pari passu* amongst themselves. The Sukuk Assets will be held by Sukuk Electricity Company, whose registered address is Granada Towers, Building A – 1, P.O. Box 22955, Riyadh, Kingdom of Saudi Arabia, as custodian (the "**Custodian**", which expression includes any successor custodian in relation to the Sukuk Assets) for the benefit of the registered holders of the Sukuk (the "**Sukukholders**") pursuant to a declaration of agency (the "**Declaration of Agency**") to be entered into on or about the Closing Date (as defined herein) between the Saudi Electricity Company, whose registered address is Granada Towers, Building A – 1, P.O. Box 22955, Riyadh, Kingdom of Saudi Arabia (the "**Issuer**"), the Custodian and Saudi Fransi Capital Company as Sukukholders' agent, whose registered address is 4th Floor, Head Office Building, King Fahd Road, Legend Tower, Building 749, P.O. Box 23454, Riyadh 11426, Kingdom of Saudi Arabia (the "**Sukukholders' Agent**", which expression includes any successor Sukukholders' agent in relation to the Sukuk). The Issuer's payment obligations under the Sukuk are direct, unsubordinated and unsecured obligations of the Issuer and the payment claims of the Sukukholders against the Issuer under the Sukuk will, other than those mandatorily preferred by law, rank at least *pari passu* with the claims of all other unsecured and unsubordinated creditors of the Issuer. Pursuant to the Declaration of Agency, the Sukukholders' Agent will be appointed to act as agent, and the Custodian will be appointed to act as custodian of the Sukuk Assets, for and on behalf of the Sukukholders. Each Sukukholder by subscribing to, acquiring and holding Sukuk agrees to the terms of the Declaration of Agency including, but not limited to, the Sukukholders' ability, by way of Extraordinary Resolution, to revoke their appointment of the Sukukholders' Agent by not less than thirty (30) days' notice to the Sukukholders' Agent; provided, however, that such revocation shall not take effect until a successor has been duly appointed in accordance with the Declaration of Agency.

In these Conditions, references to "**Sukuk**" shall be references to the Sukuk as represented by a Global Sak as described in Condition 2 (*Form and Denomination*).

Payments relating to the Sukuk will be made pursuant to a payments administration agreement to be entered into on or about the Closing Date (the "**Payments Administration Agreement**") between, amongst others, the Issuer and Saudi Fransi Capital Company, whose registered address is 4th Floor, Head Office Building, King Fahd Road, Legend Tower, Building 749, P.O. Box 23454, Riyadh, Kingdom of Saudi Arabia, in its capacity as payments administrator (the "**Payments Administrator**", which expression includes any successor or other payments administrator appointed in respect of the Sukuk).

Each initial Sukukholder, by subscribing to, acquiring and holding Sukuk, shall be deemed to authorise, ratify and approve the entry by the Sukukholders' Agent and the Custodian into the Sukuk Documents (as defined herein) to which it is a party and to the terms of each of the Sukuk Documents.

Certain provisions of these Conditions are summaries of the Sukuk Documents (as defined herein) and are subject to its detailed provisions. The Sukukholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Sukuk Documents applicable to them. For so long as any Sukuk are current, copies of the Declaration of Agency, the Sukuk Assets Administration Agreement, the Sukuk Assets Transfer Agreement and the Purchase Undertaking (as defined herein) are available for inspection from the Closing Date by Sukukholders during

normal business hours at the specified offices of each of the Issuer, the Custodian and the Sukukholders' Agent, the specified offices of which are set out in the "*Parties and Advisers*" section on page 7 in the Prospectus.

1. Definitions

In these Conditions, words and expressions have the following meanings:

"**Administration Fee**" means the administration fee of 1 per cent. per annum of the Administrator's Allowable Costs during such period payable to the Issuer semi-annually pursuant to, and as more particularly described in, the Sukuk Assets Administration Agreement;

"**Administrator's Allowable Costs**" means the aggregate of the costs incurred by the Sukuk Administrator corresponding to the categories of costs set out in Schedule 1 of the Sukuk Assets Administration Agreement, in connection with providing the relevant Metering Services in relation to the Specified Meters to the Specified Customers, *provided, however, that* any such costs incurred during any Periodic Distribution Period in excess of the Maximum Allowable Amount (pro rated for such period) shall not constitute Administrator's Allowable Costs for the purposes of the Sukuk Documents;

"**Agency Fee**" means the on-going fees and expenses (if any) payable to the Payments Administrator and the Sukukholders' Agent for their services in connection with the Sukuk as further described in the Payments Administration Agreement or, as the case may be, the Declaration of Agency (the Sukukholders' Agent will be paid periodic fees of SAR 55,000 per annum and the Payments Administrator will be paid periodic fees of SAR 55,000 per annum for its services in relation to the Sukuk);

"**Appeal Panel**" means the Appeal Committee for the Resolution of Securities Conflicts established pursuant to the Capital Market Law, promulgated by Royal Decree No. (M/30) dated 2/6/1424H (corresponding to 31 July 2003G), as amended, or any successor body;

"**Applicable Law**" means all applicable statutes, laws, ordinances, rules, orders, circulars, ministerial resolutions, directives and regulations;

"**Applicable Percentage**" means the percentage value obtained by dividing the aggregate Nominal Amount of Sukuk on the Closing Date by SAR 6,000,000,000, as the same may be reduced in accordance with Condition 8(c) (*Purchase of Sukuk or Sukuk Assets*) from time to time;

"**Authorised Holding**" has the meaning given to it in Condition 2 (*Form and Denomination*);

"**Benchmark Rate**" means, in relation to any Periodic Distribution Period, SIBOR, the Saudi inter-bank offered rate for 3 month Saudi Riyal deposits determined in accordance with Condition 7(b) (*Benchmark Rate*) in relation to such Periodic Distribution Period;

"**Business Day**" means a day on which commercial banks are open for general business in Riyadh;

a "**Change of Control**" shall occur if at any time 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 the Issuer or to control, directly or indirectly, the Issuer;

"**Change of Control Exercise Date**" has the meaning given to it in Condition 11.3;

"**Change of Control Exercise Period**" has the meaning given to it in Condition 11.3;

"**Change of Control Notice**" has the meaning given to it in Condition 11.3;

"**Change of Control Purchase Price**" means, in relation to each Sak that is the subject of a Purchase Notice, the amount calculated in accordance with the following formula on the Change of Control Exercise Date:

(A/B) * P + D

where:

A = the Nominal Amount of the Sak;

B = the aggregate of the Nominal Amount of the Sukuk as are current on the Change of Control Exercise Date;

P = the applicable Purchase Price as at the Change of Control Exercise Date; and

D = the aggregate of the Periodic Distribution Amounts that have accrued in respect of that Sak but remain unpaid as at the Change of Control Exercise Date.

"**Closed Periods**" has the meaning given to it in Condition 3(e) (*Transfer Record Dates and Closed Periods*);

"**Closing Date**" has the same meaning as set out on page 1 of the Prospectus;

"**CMR 169**" means the Council of Ministers' resolution no. 169 dated 11/8/1419H (corresponding to 30 November 1998G) (as set out in Part 1 of Annex A to the Sukuk Assets Transfer Agreement), as amended by CMR 170 and as the same may be further supplemented, revised or amended from time to time;

"**CMR 170**" means the Council of Ministers' resolution no. 170 dated 12/7/1421H (corresponding to 10 October 2000G) (as set out in Part 2 of Annex A to the Sukuk Assets Transfer Agreement) as the same may be supplemented, revised or amended from time to time;

"**Committee**" the Committee for the Resolution of Securities Disputes, established pursuant to the Capital Market Law, promulgated by Royal Decree No. (M/30) dated 2/6/1424H (corresponding to 31 July 2003G), as amended, or any successor body;

"**Conditions**" means the terms and conditions of the Sukuk;

"**Custodian**" has the meaning given to it above under "*Introduction*";

"**Declaration of Agency**" has the meaning given to it above under "*Introduction*";

"**Distribution Licence**" means the distribution and retail supply licence no. 070406-R dated 28/3/1428H granted by ECRA;

"**Distribution Sector Restructuring Event**" has the meaning given to it in paragraph (h) of Condition 11.2 (*Events of Default*);

"**Event of Default**" has the meaning given to it in Condition 11.2 (*Events of Default*);

"**Exercise Event**" means an Event of Default, a Purchase Date or a Change of Control;

"**Exercise Notice**" means a notice from the Sukukholders' Agent to the Issuer, substantially in the form set out in Appendix I, Part (D) to the Prospectus;

"**Exercise Period**" has the meaning given to it in Condition 11 (*Exercise Events*);

"**Expiry Date**" means the Periodic Distribution Date falling in January 2054G;

"**Extra Amount**" means, in respect of the Purchase Date falling in January 2024G, January 2034G, January 2044G or the Expiry Date, an amount equal to 5 per cent. of the aggregate Nominal Amount of the Sukuk as are current on the third Business Day immediately preceding such Purchase Date or the Expiry Date, as the case may be;

"**Extraordinary Resolution**" means a resolution passed by a majority of at least one half of the Sukuk represented at a duly convened meeting of the Sukukholders;

"**Global Sak**" means the registered form global sak representing the Sukuk;

"**Guarantee**" means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

- (a) any obligation to purchase such Indebtedness;
- (b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;
- (c) any indemnity against the consequences of a default in the payment of such Indebtedness; and
- (d) any other agreement to be responsible for such Indebtedness;

"**Indebtedness**" means any indebtedness of any person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

- (a) amounts raised under any note purchase facility;
- (b) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;
- (c) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 90 days; and
- (d) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

"**Investor Application Form**" means the form required to be submitted to the Joint Lead Joint Managers, Joint Bookrunners and Underwriters before the end of the end of the Investor Presentation Period by the Persons wishing to invest in the Sukuk;

"**Investor Presentation Period**" means the investor presentation period for the Sukuk commencing 8/3/1435H (corresponding to 9 January 2014G) and ending 7 Business Days after such date;

"**Joint Lead Managers, Joint Bookrunners and Underwriters**" means HSBC Saudi Arabia Limited, whose registered address is Olaya Road, P.O. Box 9084, Riyadh 11413, Kingdom of Saudi Arabia, and Saudi Fransi Capital Company , whose registered address is 4th Floor, Head Office Building, King Fahd Road, Legend Tower, Building 749, P.O. Box 23454, Riyadh, Kingdom of Saudi Arabia.;

"**Margin**" means the percentage rate per annum specified as the "Margin" and published on the websites of the Issuer and the Payments Administrator as described in the section of the Prospectus entitled "Subscription and Sale";

"**Maximum Allowable Amount**" means the amount of the Administrator's Allowable Costs (expressed as a pro rata amount in SAR per Specified Meter) not exceeding SAR 50.00 per year for the period commencing on the Closing Date until the first Purchase Date (the "**First Period**") and for each subsequent period that occurs after the First Period until the next Purchase Date, the amount negotiated and agreed between the Sukukholders' Agent and the Sukuk Administrator prior to commencement of that period and based upon actual costs in the previous period and projected costs for the next period;

"**Meter Charges**" means the charges relating to the reading and maintenance of electricity meters and bill preparation specified in CMR 169, as the same may be revised from time to time by the relevant competent government authority in the Kingdom of Saudi Arabia;

"**Metering Services**" means the following services provided by the Issuer in relation to its Specified Customers:

- (a) reading and maintaining electricity consumption meters installed by the Issuer at the Specified Customers' premises; and
- (b) preparing, issuing and distributing bills to the Specified Customers for all of the services provided to them by the Issuer;

"**Net Income**" has the meaning given to it in Condition 5 (*Sukuk Assets*);

"**Nominal Amount**" means the nominal value of each Sak, which is SAR 1,000,000;

"**Payments Administration Agreement**" has the meaning given to it above under "*Introduction*";

"**Payments Administrator**" has the meaning given to it above under "*Introduction*";

"**Periodic Default Amount**" means, in relation to any day, other than a Purchase Date, on which the Issuer is to purchase Sukuk following the delivery of an Exercise Notice, an amount equal to the sum of (a) and (b) below:

- (a) the Periodic Distribution Amount as would have been payable on the next Periodic Distribution Date if an Exercise Notice had not been delivered (*provided, however, that* for the purposes of calculating such Periodic Distribution Amount, "**P**" shall mean the aggregate Nominal Amount of such Sukuk as are current on the Transfer Record Date immediately preceding the date of such purchase); *multiplied by*:
 - (i) the number of days between the immediately preceding Periodic Distribution Date and the date of such purchase; *divided by*
 - (ii) the number of days between the immediately preceding Periodic Distribution Date and the next scheduled Periodic Distribution Date calculated on the basis of a 360 day year;
- (b) the lesser of (i) the amounts standing to the credit of the Reserve as at the date of such purchase and (ii) the Extra Amount which would have been payable on the next scheduled Purchase Date or the Expiry Date, as the case may be, but for the occurrence of such purchase;

"**Periodic Determination Date**" has the meaning given to it in Condition 7 (*Periodic Distributions*);

"**Periodic Distribution Amount**" has the meaning given to it in Condition 7 (*Periodic Distributions*);

"**Periodic Distribution Date**" means the 30th of January, April, July and October in each year, commencing on 30 April 2014G; *provided, however, that* if any such day is not a Business Day, the Periodic Distribution Date will be the next following Business Day (if it falls in the same calendar month) or the immediately preceding Business Day (if it falls in the next calendar month);

"**Periodic Distribution Period**" means the period from and including the Closing Date to but excluding the first Periodic Distribution Date, and each successive period from and including a Periodic Distribution Date to but excluding the next succeeding Periodic Distribution Date;

"**Permitted Security Interest**" means a Security Interest over any of the Issuer's present or future assets or revenues or any part thereof in connection with:

- (a) any asset based financing (including, without limitation, a securitisation or project financing) where the primary source of payment of the obligations secured by such Security Interest is the assets or revenues subject to such Security Interest, without further recourse to the Issuer;
- (b) any Islamic financing arrangement; or
- (c) any domestic issue of securities which is required by the Capital Market Authority to be secured;

"**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;

"**Prospectus**" means the Prospectus dated 27/3/1435H (corresponding to 28 January 2014G) relating to the Sukuk and the Supplementary Prospectus relating thereto dated 27/3/1435H (corresponding to 28 January 2014G) and any other supplementary prospectus relating to the foregoing;

"**Purchase Date**" means the Periodic Distribution Date falling in January of 2024G, 2034G or 2044G or, only to the extent that the Sukuk Administrator notifies the Sukukholders' Agent that the amount allocated to the Reserve (as at the date of such notification) is less than (5 per cent.) of the aggregate Nominal Amount of the Sukuk as are current by the date falling 60 days immediately prior to the Periodic Distribution Date falling in October 2023G, the Periodic Distribution Date falling in October 2023G;

"**Purchase Notice**" has the meaning given to it in Condition 11.2 (*Events of Default*);

"**Purchase Price**" means:

- (a) as of any Purchase Date, the product of the aggregate Nominal Amount of all Sukuk as are current on such date multiplied by the percentage set out opposite such date in the following table:

Date	Percentage
The Periodic Distribution Date falling in January 2024G	95%
The Periodic Distribution Date falling in January 2034G	60%
The Periodic Distribution Date falling in January 2044G	30%

and

- (b) as of any other date, the product of the aggregate Nominal Amount of all Sukuk as are current on such date multiplied by the percentage set out opposite the period in which such date falls in the following table:

Date	Percentage
After the Closing Date but before the Periodic Distribution Date falling in January 2024G	100%
After (and including) the Periodic Distribution Date falling in January 2024G but before the Periodic Distribution Date falling in January 2029G	95%
After (and including) the Periodic Distribution Date falling in January 2029G but before the Periodic Distribution Date falling in January 2034G	75%
After (and including) the Periodic Distribution Date falling in January 2034G but	60%

Date	Percentage
before the Periodic Distribution Date falling in January 2039G	
After (and including) the Periodic Distribution Date falling in January 2039G but before the Periodic Distribution Date falling in January 2044G	45%
After (and including) the Periodic Distribution Date falling in January 2044G but before the Periodic Distribution Date falling in January 2049G	30%
After (and including) the Periodic Distribution Date falling in January 2049G but before the Periodic Distribution Date falling in January 2054G	15%
On the Expiry Date	0%

"**Purchase Undertaking**" means the purchase undertaking to be entered into by the Issuer, the Custodian and the Sukukholders' Agent on or about the Closing Date;

"**Qualified Person**" means a natural person who is a national of the Kingdom for tax purposes or other legal persons with a permanent establishment in the Kingdom holding a current commercial registration number issued by the Ministry of Commerce and Industry, and which, in either case, maintains a bank account in the Kingdom.

"**Registrar**" means the Saudi Arabian Stock Exchange ("**Tadawul**"), whose registered address is NCCI building – North Tower, King Fahd Rd, P.O. Box 60612, Riyadh 11555, Kingdom of Saudi Arabia (and includes any successor registrar as may be appointed in accordance with the provisions of the Registry Agreement);

"**Registry Agreement**" means the registry and trading agreement to be entered into between the Issuer and the Registrar in relation to the Sukuk on or about the Closing Date;

"**Relevant Indebtedness**" means any Indebtedness which is in the form of or represented by a security (within the meaning of the Capital Market Law), including, without limitation, any bond, sukuk, note, loan stock, certificate or similar instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market);

"**Required Sukukholders**" means, as of any date:

- (a) for the purposes of Condition 11.3, Sukukholders of at least 25 per cent. in aggregate of the Nominal Amount of the Sukuk as are current on such date; and
- (b) for all other purposes, Sukukholders of at least 33^{1/3} per cent. in aggregate of the Nominal Amount of the Sukuk as are current on such date;

"**Reserve**" has the meaning given to it in Condition 5 (*Sukuk Assets*);

"**SAR**" or "**Saudi Riyals**" mean the lawful currency of the Kingdom;

"**Security Interest**" means any mortgage, charge, pledge, lien, assignment by way of security or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

"**Shortfall**" has the meaning given to it in Condition 5 (*Sukuk Assets*);

"**Specific Instruction**" has the meaning given to it in Condition 11.1 (*Purchase Date*);

"**Specified Amount**" means, in respect of any Event of Default occurring under Condition 11.2(a) (*Default resulting in non-payment of Periodic Distribution Amount or Extra Amount*), the amount of any shortfall in amounts distributed to the Sukukholders as referred to therein which occurred as a direct result of the Sukuk Administrator's default or negligence in performing its obligations under the Sukuk Assets Administrator Agreement and/or the Declaration of Agency to the extent that such amounts are not already compensated for by payment of the Periodic Default Amount;

"**Specified Customers**" mean those customers from time to time of the Issuer which have the Specified Meters installed on the premises owned or occupied by them and each customer among which shall be a "**Specified Customer**";

"**Specified Meters**" the Applicable Percentage of all the electricity meters installed with SEC's residential and commercial customers, as at the date of the Sukuk Assets Transfer Agreement (for the avoidance of doubt, Specified Meters will not include electricity meters installed with SEC's governmental, industrial, health and education, agricultural and desalination customers);

"**Standing Instruction**" has the meaning given to it in Condition 11.1 (*Purchase Date*);

"**Subsidiary**" means, in respect of any person (the "**first person**") at any particular time, any other person (the "**second person**") controlled by the first person. For this purpose, (i) "**control**" of the second person (being a company) means the ability to influence the acts or decisions of that person by way of the first person having directly or indirectly, alone or jointly with any relative or other participant, 50 per cent. or more of the voting rights in the second person and (ii) Water & Electricity Company shall not constitute a Subsidiary of the Issuer;

"**Sukuk Assets**" has the meaning given to it in Condition 5 (*Sukuk Assets*);

"**Sukuk Administrator**" means Saudi Electricity Company in its capacity as administrator of the Sukuk Assets;

"**Sukuk Assets Administration Agreement**" has the meaning given to it in Condition 5 (*Sukuk Assets*);

"**Sukuk Assets Transfer Agreement**" has the meaning given to it in Condition 5 (*Sukuk Assets*);

"**Sukuk Documents**" means the Sukuk Assets Transfer Agreement, the Declaration of Agency, the Purchase Undertaking, the Sukuk Assets Administration Agreement, the Payments Administration Agreement, the Registry Agreement, the Sukuk, the Investor Application Form and any other agreements and documents delivered or executed in connection therewith;

"**Sukukholders**" means the registered Sukukholders of the Sukuk;

"**Sukukholders' Agent**" has the meaning given to it above under "*Introduction*";

"**Taxes**" means any present or future taxes, zakat, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Kingdom or any political subdivision thereof or any authority therein or thereof having power to tax;

"**Transaction Account**" has the meaning given to it in Condition 5 (*Sukuk Assets*); and

"**Transfer Record Date**" has the meaning given to it in Condition 3 (*Register, Title and Transfers*).

Without prejudice to its status for any other purpose, a Sukuk shall be considered to be "*current*" unless it has been dissolved pursuant to Condition 10 (*Dissolution of the Sukuk*), or purchased under Condition 8 (*Purchase of Sukuk*) or redeemed under Condition 11 (*Exercise Events*) and in either case has been cancelled in accordance with Condition 8(c) (*Cancellation*); provided, however, that, for the purposes of (i) ascertaining the right to attend and vote at any meeting of Sukukholders, (ii) Condition 14(a) (*Meetings of Sukukholders; Modification*) and Schedule 2 of the Declaration of Agency (*Provisions for Meetings of Sukukholders*), (iii) determining the

Required Sukukholders for the purposes of Condition 11 (*Exercise Events*) or Condition 12(b) (*Enforcement and Exercise of Rights*) and (iv) Condition 12(c) (*Enforcement and Exercise of Rights*), those Sukuk (if any) which are for the time being held by any Person (including but not limited to any Subsidiary of the Issuer) for the benefit of the Issuer or any Subsidiary of the Issuer shall (unless and until ceasing to be so held) be deemed not to be current.

All references in these Conditions to an agreement, instrument or other document (including the Declaration of Agency, the Payments Administration Agreement, the Purchase Undertaking, the Registry Agreement, the Sukuk Assets Administration Agreement, the Sukuk Assets Transfer Agreement and the Sukuk (including the Global Sak) and Investor Application Form) shall be construed as a reference to that agreement, instrument or other document as the same may be amended, supplemented, replaced or novated.

2. Form and Denomination

The Sukuk are issued in dematerialised registered form in the denomination of SAR 1,000,000 (the "**Authorised Holding**"). The Sukuk will be collectively represented by the Global Sak which will be deposited with the Registrar. Individual Sukuk representing holdings of the Global Sak will not be issued, but Sukukholders will on request be entitled to receive a statement from the Registrar recording their holding of Sukuk. The Global Sak will represent all of the Sukuk that are current and the ownership by the Sukukholders of an undivided beneficial ownership interest in the Sukuk Assets.

3. Register, Title and Transfers

- (a) *Register*: The Registrar will maintain a register (the "**Register**") in respect of the Sukuk in accordance with the provisions of the Registry Agreement. In these Conditions, the "**Sukukholder**" means the Person in whose name such Sukuk is for the time being registered in the Register (or, in the case of a joint holding, the first named). Only Qualified Persons may be registered as Sukukholders.
- (b) *Title*: The Sukukholder shall (except as otherwise required by law) be treated as the absolute owner of such Sukuk for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein).
- (c) *Transfers*: Subject to paragraphs (e) and (f) below, Sukuk may be transferred in accordance with the regulations and procedures established by the Registrar by delivering to the Registrar such information as such regulations and procedures shall require. Sukuk may not be transferred unless:
 - (i) the Nominal Amount of Sukuk to be transferred together with any existing holding of Sukuk by the party acquiring the Sukuk to be transferred are Authorised Holdings;
 - (ii) where not all of the Sukuk held by a Sukukholder are being transferred, the Nominal Amount of the balance of Sukuk not transferred are Authorised Holdings; and
 - (iii) the transferee is a Qualified Person.
- (d) *Transfer Charges*: The transfer of Sukuk will be subject to a charge by the Registrar in accordance with its schedule of charges in force for its services and all such charges shall be borne solely by the transferring Sukukholder and the transferee in accordance with the Registrar's practice. For the avoidance of doubt, none of the Issuer, or the Sukukholders' Agent or the Custodian shall be liable to pay any such charges imposed by the Registrar.
- (e) *Transfer Record Dates and Closed Periods*: Transfers of Sukuk effected during the period starting at the opening of business no less than seven Business Days prior to a due date for payment of any Periodic Distribution Amount, or any other principal or distribution in respect of the Sukuk or, if such a day is not a Business Day, on the next following Business Day (a "**Transfer Record Date**"), and ending on (and including) the applicable due date itself (each such period being a "**Closed Period**") may be registered in the usual way.

However, notwithstanding such registration, all payments will be paid to such persons as are registered as Sukukholders of the Sukuk at the opening of business on the relevant Transfer Record Date. The Registrar may after the Closing Date modify these Conditions insofar as they relate to the registration of transfers effected during Closed Periods by notice to the Issuer and the Sukukholders.

- (f) *Transfers and Standing Instructions:* Where a Sukukholder has completed a Standing Instruction in relation to its Sukuk, and such Standing Instruction has not been revoked by it or any subsequent Sukukholder of such Sukuk, any transfer of such Sukuk will be subject to the Standing Instruction, and any subsequent Sukukholder thereof will be deemed to accept the terms of such Standing Instruction. Notwithstanding the above, a subsequent Sukukholder may revoke a Standing Instruction by notice in writing to the Sukukholders' Agent in accordance with Condition 11.1(a) (*Purchase Date*).
- (g) *Regulations concerning transfers and registration:* All transfers of Sukuk and entries on the Register are subject to the regulations and procedures of the Registrar and the provisions of the Registry Agreement. The regulations may be changed by the Registrar at any time.

4. Status; Limited Recourse; Agreement of Sukukholders

- (a) *Status:* The Sukuk constitute undivided beneficial ownership interests in the Sukuk Assets and will at all times rank *pari passu* amongst themselves. The Issuer's payment obligations under the Sukuk are direct, unsecured and unsecured obligations of the Issuer and the payment claims of the Sukukholders against the Issuer under the Sukuk will, other than those mandatorily preferred by law, rank at least *pari passu* with the claims of all other unsecured and unsecured creditors of the Issuer.
- (b) *Limited Recourse:* Proceeds from the Sukuk Assets, payments by the Issuer pursuant to the Purchase Undertaking and monies standing to the credit of the Transaction Account are the sole source of payments on the Sukuk.

Accordingly, except in relation to claims relating to amounts due from the Issuer under the Purchase Undertaking or any of the other Sukuk Documents, the Sukukholders will have no recourse to any assets of the Issuer, the Custodian (and, for the avoidance of doubt, the Sukuk Assets are not, and shall not be considered to be, an asset of the Custodian) or the Sukukholders' Agent, or (to the extent each fulfils all of its obligations under the relevant Sukuk Documents to which it is a party) the Payments Administrator, the Registrar, the Joint Lead Managers, Joint Bookrunners and Underwriters or any of their respective affiliates in respect of any shortfall in the expected amounts from the Sukuk Assets.

Notwithstanding the above, the Issuer is obliged to make the payments under the relevant Sukuk Documents to which it is a party directly to the Payments Administrator (or in certain circumstances, the Sukukholders' Agent) and the Sukukholders' Agent (subject to it being indemnified to its satisfaction), as agent for and on behalf of the Sukukholders, will have direct recourse against the Issuer to recover payments due to the Payments Administrator or the Sukukholders' Agent for the account of the Sukukholders, pursuant to such Sukuk Documents.

The net proceeds of the realisation of, or enforcement with respect to, the Sukuk Assets may not be sufficient to make all payments due in respect of the Sukuk. If, following distribution of such proceeds, there remains a shortfall in payments due under the Sukuk, then, except in the circumstances described in Conditions 11 (*Exercise Events*) and 12 (*Enforcement and Exercise of Rights*), no Sukukholder will have any claim against the Issuer, or any of its affiliates or other assets in respect of such shortfall and any unsatisfied claims, and Sukukholders will not be able to petition for, or join any other person in instituting proceedings for, the reorganisation, liquidation, winding up or receivership of the Issuer, the Custodian, the Sukukholders' Agent, the Payments Administrator, the Registrar, the Joint Lead Managers, Joint Bookrunners and Underwriters or any of their affiliates as a consequence of such shortfall or otherwise.

- (c) *Agreement of Sukukholders*: By purchasing Sukuk, each Sukukholder agrees that, notwithstanding anything to the contrary contained herein or in any other Sukuk Document, but without prejudice to Conditions 11 (*Exercise Events*) and 12 (*Enforcement and Exercise of Rights*) and the Issuer's obligations under the Purchase Undertaking, (i) no payment is obliged to be made by any of the Issuer, the Custodian, the Sukukholders' Agent, the Payments Administrator, the Registrar or the Joint Lead Managers, Joint Bookrunners and Underwriters or any of their respective agents on their behalf except to the extent funds are available therefore from the Sukuk Assets and (ii) no recourse shall be had for the payment of any amount owing hereunder or under any other Sukuk Document, whether for the payment of any fee or other amount hereunder or any other obligation or claim arising out of or based upon the Declaration of Agency or any other Sukuk Document, against any of the Issuer, the Custodian, the Sukukholders' Agent, the Payments Administrator, the Joint Lead Managers, Joint Bookrunners and Underwriters or the Registrar for any bankruptcy, reorganisation, arrangement or liquidation proceedings or other proceedings under any bankruptcy or similar law.

5. Sukuk Assets

- (a) *Transfer of Sukuk Assets*: Pursuant to a sukuk assets transfer agreement to be entered into between the Issuer, the Sukukholders' Agent and the Custodian on the Closing Date (the "**Sukuk Assets Transfer Agreement**"), upon payment of the proceeds of the sale of the Sukuk and subject to the other terms and conditions of the Sukuk Assets Transfer Agreement, the Issuer will transfer to the Custodian for a period of forty years the certain specified rights and entitlements of the Issuer derived from CMR 169 and the Distribution Licence to provide the Metering Services and to levy and receive the Meter Charges in relation to the Specified Meters from Specified Customers, as further described in the Sukuk Assets Transfer Agreement, (the "**Sukuk Assets**") to be held by the Custodian for the benefit of the Sukukholders.

Pursuant to a sukuk assets administration agreement to be entered into between the Sukuk Administrator, the Custodian and the Sukukholders' Agent on or about the Closing Date (the "**Sukuk Assets Administration Agreement**"), the Sukuk Administrator undertakes to provide certain services in respect of the Sukuk Assets in return for the Administration Fee. The Issuer may sub-contract the performance of any of these services to one or more Subsidiaries of the Issuer in accordance with the terms of the Sukuk Assets Administration Agreement.

If the Issuer's electricity distribution business (including, without limitation, the provision of Metering Services) is restructured by any governmental body or authority of the Kingdom with the result that such business will be carried out by one of the Issuer's Subsidiaries (and all related licences are transferred to (or reissued in the name of) such Subsidiary) prior to the first Purchase Date, then the Issuer shall procure that the relevant Subsidiary shall issue a written acknowledgement addressed to the Sukukholders' Agent by no later than the first Purchase Date to acknowledge that any transfer of the distribution business to such Subsidiary is subject to the prior transfer of the Sukuk Assets under the Sukuk Assets Transfer Agreement.

- (b) *Application of Proceeds - Net Income*: Pursuant to the Sukuk Assets Administration Agreement, the Sukuk Administrator shall accumulate all monies (net of the Administrator's Allowable Costs, the Administration Fee and the Agency Fee) accruing under the Sukuk Assets (the "**Net Income**"). On or prior to 11.00 a.m. (Riyadh time) one Business Day prior to each Periodic Distribution Date, the Sukuk Administrator shall pay into an account of the Sukukholders' Agent maintained with the Payments Administrator (the "**Transaction Account**") the lesser of (i) such accumulated amount and (ii) the Periodic Distribution Amount. If the Net Income received under the Sukuk Assets in any Periodic Distribution Period exceeds the Periodic Distribution Amount, the amount of any surplus shall be retained by the Sukuk Administrator as a reserve (the "**Reserve**"). The Reserve shall be recorded by the Sukuk Administrator through a book-entry notional account and will not be maintained in a separate defined bank account. The primary purpose of the Reserve is for it to be held for the Sukukholders. The Sukuk Administrator shall have the right to use and invest the Reserve for its own account and it may be recorded as a liability of the Sukuk Administrator. Any return from such use or investment, and any losses arising therefrom, are solely for the account of the Sukuk Administrator. The Reserve is held for the benefit of the Sukukholders. If by the date falling 60 days immediately prior to the Periodic Distribution Date

falling in October 2023G, the Sukuk Administrator notifies the Sukukholders' Agent that the amount allocated to the Reserve (as at the date of such notification) is less than 5 per cent. of the aggregate Nominal Amount of the Sukuk as are current on such date in the Reserve, the Sukukholders may request the purchase of the Sukuk Assets by the Issuer pursuant to the Purchase Undertaking.

- (c) *Application of Proceeds - Reserve*: Pursuant to the Sukuk Assets Administration Agreement, the Sukuk Administrator shall retain the Reserve and pay monies standing to the credit of the Reserve (if any) as provided in this Condition 5(c) (*Application of Proceeds - Reserve*).

On or prior to 11.00 a.m. (Riyadh time) one Business Day prior to each Periodic Distribution Date, the Sukuk Administrator shall pay into the Transaction Account, the monies (if any) standing to the credit of the Reserve in the following order of priority:

- (i) **first**, towards the aggregate amount of any shortfall between the amounts paid to Sukukholders on any previous Periodic Distribution Date(s) and the corresponding Periodic Distribution Amount(s) for such date(s) (each, a "**Shortfall**") to the extent these remain unpaid; and
- (ii) **secondly**, towards the amount due (including the amount of any shortfall) for the current Periodic Distribution Period.

On or prior to 11.00 a.m. (Riyadh time) one Business Day prior to each Purchase Date and the Expiry Date, after making the payments set out in Condition 5(c)(i) (*Application of Proceeds - Reserve*) above the Sukuk Administrator shall pay the monies (if any) standing to the credit of the Reserve into the Transaction Account at the lesser of the Extra Amount, or such monies as are standing to the credit of the Reserve on such date. The balance of the Reserve, if any, shall be held by the Sukuk Administrator in accordance with Condition 5(b) (*Application of Proceeds - Net Income*).

Upon dissolution of the Sukuk as specified in Condition 10 (*Dissolution of the Sukuk*), the Sukuk Administrator shall receive the balance of the Reserve (if any) for its own account as a sukuk assets administration incentive fee.

- (d) *Top-Up of Reserve*: If, in relation to any Periodic Distribution Period or other period, the Net Income received in relation to the Sukuk Assets (the "**Actual Income**") is less than the amount of Net Income which should otherwise have been received (the "**Specified Income**") as a result of (i) the tariff set out in CMR 169 (as in force at the Closing Date) being reduced or amended, or CMR 169 in any way having been amended, supplemented or revoked, or (ii) any of the Specified Customers changes its electricity supplier to an entity other than the Issuer then, on or before 11:00 a.m. (Riyadh time) one Business Day prior to the last day of such Periodic Distribution Period or other period, the Issuer shall add to the Reserve an amount equal to the difference between the Actual Income and the Specified Income.

6. Negative Pledge

So long as any Sukuk remains current, the Issuer shall not, and the Issuer shall procure that none of its Subsidiaries will, create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or Guarantee of Relevant Indebtedness.

7. Periodic Distributions

- (a) *Periodic Distribution Dates*: Subject to Condition 5(b) (*Application of Proceeds - Net Income*), Condition 5(c) (*Application of Proceeds - Reserve*) and Condition 9 (*Payments*), the Issuer shall instruct the Payments Administrator to distribute to the Sukukholders *pro rata*, out of amounts collected in the Transaction Account, a distribution in relation to the Sukuk on each Periodic Distribution Date equal to the applicable Periodic Distribution Amount plus, if such Periodic Distribution Date is a Purchase Date or the Expiry Date, the

applicable Extra Amount. If any Periodic Distribution Date is not a Business Day, the Periodic Distribution Date will be the next Business Day (if it falls in the same calendar month) or the immediately preceding Business Day (if it falls in the next calendar month).

In these Conditions:

"Periodic Distribution Amount" means, for each Periodic Distribution Period, an amount calculated as follows:

$$\frac{P \times (S + M) \times D}{360}$$

where

- P = the aggregate Nominal Amount of such Sukuk as are current on the Transfer Record Date immediately preceding the last day of such Periodic Distribution Period;
- D = the actual number of days in such Periodic Distribution Period;
- S = the Benchmark Rate for such Periodic Distribution Period; and
- M = Margin.

(b) *Benchmark Rate*: The Benchmark Rate for each Periodic Distribution Period shall be determined by or on behalf of the Payments Administrator on the following basis:

- (i) the Payments Administrator will determine the rate for deposits in Saudi Riyals for a period equal to the relevant Periodic Distribution Period which appears on the Reuters Screen SUAA Page across from the caption "AVG" (or such other page as may replace that page on that service, or such other service as may be nominated by the Payments Administrator as the information vendor for the purpose of displaying comparable rates) as of 11.00 a.m. (Riyadh time) on the second Business Day before the first day of the relevant Periodic Distribution Period (the "**Periodic Determination Date**"); or
- (i) if such rate does not appear on that page, the Payments Administrator will:
 - A. request the principal office in the Kingdom of each of the Saudi British Bank, Riyadh Bank and Banque Saudi Fransi or any substitute reference bank in the Saudi interbank market appointed by the Payments Administrator, to provide a quotation of the rate at which deposits in Saudi Riyals are offered by it in the Saudi interbank market at approximately 11.00 a.m. (Riyadh time) on the Periodic Determination Date to prime banks in the Saudi interbank market for a period equal to the relevant Periodic Distribution Period and in an amount that is representative for a single transaction in that market at that time; and
 - B. determine the arithmetic mean (rounded, if necessary, to the nearest ten thousandth of a percentage point, 0.00005 being rounded upwards) of such quotations where two or more quotations are available,

and the Benchmark Rate shall be the rate or (as the case may be) the arithmetic mean so determined; *provided, however*, that if the Payments Administrator is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Periodic Distribution Period, the Benchmark Rate applicable to the Sukuk during such Periodic Distribution Period will be the Benchmark Rate or (as the case may be)

arithmetic mean last so determined in relation to the Sukuk in respect of the most recent preceding Periodic Distribution Period.

- (c) *Publication:* The Payments Administrator will cause the Benchmark Rate and the Periodic Distribution Amount determined by it, together with the relevant Periodic Distribution Date, to be notified to the Issuer, the Custodian and the Sukukholders' Agent as soon as practicable after such determination but in any event not later than 8.00 a.m. (Riyadh time) one Business Day prior to the first day of the relevant Periodic Distribution Period. Notice thereof shall also promptly be provided to the Sukukholders. The Payments Administrator will be entitled to recalculate any Periodic Distribution Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Periodic Distribution Period.
- (d) *Calculation of Distribution in respect of Periodic Default Amounts:* When a distribution is required to be calculated in respect of a period less than a full Periodic Distribution Period, it shall be calculated on the basis of the actual number of days elapsed in such period and a 360 day year.
- (e) *Notifications:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 7 (*Periodic Distributions*) by the Payments Administrator will (in the absence of manifest error) be binding on the Issuer, the Custodian, the Sukukholders' Agent and the Sukukholders and (subject as aforesaid) no liability to any such Person will attach to the Payments Administrator in connection with the exercise or non exercise by it of its powers, duties and discretions for such purposes.

8. Purchase of Sukuk or Sukuk Assets

- (a) *Purchase at the option of the Sukukholders:* The Sukukholders may request the Issuer to purchase the relevant Sukuk or Sukuk Assets (as applicable) upon the occurrence of an Exercise Event as set out in Condition 11 (*Exercise Events*).
- (b) *Purchase:* The Issuer may at any time purchase Sukuk in the open market or otherwise and at any price agreed between the Sukukholder and the Issuer.
- (c) *Cancellation:* If any Sukuk are purchased by the Issuer, such Sukuk shall be cancelled and may not be reissued or resold. Upon such cancellation, the Applicable Percentage will be reduced to the percentage value obtained by dividing the aggregate Nominal Amount of Sukuk that are current after such purchase by SAR 6,000,000,000.

9. Payments

- (a) *General:* Payments under the Sukuk shall be made by transfer to a Saudi Riyal account maintained by the payee with a bank in the Kingdom as notified in writing to the Registrar and the Payments Administrator not later than opening of business on the Transfer Record Date prior to the date of the relevant payment. Notwithstanding any registration of a transfer of Sukuk during the Closed Period, any payment to be made under these Conditions will be paid to such Persons as are registered as Sukukholders of the Sukuk at the opening of business on the relevant Transfer Record Date.
- (b) *Payments subject to fiscal laws:* All payments in respect of the Sukuk are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment. No distributions or expenses shall be charged to the Sukukholders in respect of such payments.
- (c) *Payments on Business Days:* Payment instructions will be initiated for value on the due date, or, if the due date is not a Business Day, for value on the next succeeding Business Day unless such date would thereby fall into the next calendar month, in which event payment instructions will be initiated for value on the immediately preceding Business Day. A Sukukholder shall not be entitled to any distribution or other payment in respect of any delay in payment resulting from the due date for a payment not being a Business Day.

- (d) *Transfer Record Date*: Each payment in respect of the Sukuk will be made to the person shown as the Sukukholder in the Register at the opening of business in the place of the Registrar's specified office on the Transfer Record Date.

10. Dissolution of the Sukuk

Unless previously redeemed, or purchased and cancelled, the Sukuk shall be redeemed on the earlier of:

- (a) the Expiry Date; and
- (b) the occurrence of an Exercise Event,

in each case following the Issuer purchasing all of the Sukuk pursuant to the Purchase Undertaking and all the Sukuk have been cancelled.

11. Exercise Events

11.1 Purchase Date

- (a) On or prior to the Closing Date, and at any time thereafter, Sukukholders will be entitled to complete a standing instruction available from the Sukukholders' Agent (a "**Standing Instruction**") to the Sukukholders' Agent requesting it to give an Exercise Notice requiring the Issuer to purchase the Sukuk Assets 30 days prior to a Purchase Date, unless the Sukukholder otherwise advises the Sukukholders' Agent in writing no later than (i) 90 Business Days before the Purchase Date falling in January 2024G, January 2034G or January 2044G; or (ii) following an exercise under Condition 5(b) (*Application of Proceeds – Net Income*), forty-five (45) days before the Purchase Date falling in October 2023G.
- (b) Between 90 days and 180 days prior to the Purchase Date falling in January 2024G, January 2034G or January 2044G; or (ii) following an exercise under Condition 5(b) (*Application of Proceeds – Net Income*) only, forty-five (45) days and sixty (60) days prior to the Purchase Date falling in October 2023G, the Sukukholders' Agent will give notice to the Sukukholders informing them that the occurrence of such Purchase Date will potentially give rise to the Issuer purchasing the Sukuk Assets under the Purchase Undertaking as a result thereof and accordingly describing the consequences of exercising and not exercising their rights in respect thereof.
- (c) Each Sukukholder shall be entitled, by Standing Instruction (including any Standing Instruction deemed to be transferred under Condition 3(f) (*Transfers and Standing Instructions*)) or otherwise by notice in writing given during the period of between (i) 90 days or (ii) following an exercise under Condition 5(b) (*Application of Proceeds – Net Income*) only, 45 days, and 30 days prior to such Purchase Date in the form set out in Appendix I, Part (A) to the Prospectus (such a notice being a "**Specific Instruction**"), to require the Sukukholders' Agent to give an Exercise Notice under the Purchase Undertaking in relation to all of that Sukukholder's Sukuk and the corresponding portion of the Sukuk Assets. Sukuk in respect of which Standing Instructions are in force in relation to a particular Purchase Date may not be transferred after the date which is 30 days prior to such Purchase Date and Sukuk in relation to which a Specific Instruction is given may not be transferred after the date of such Specific Instruction.
- (d) If on or before the date which is 30 days prior to a Purchase Date, the Sukukholders' Agent receives Standing Instructions (which have not been subsequently revoked) and/or Specific Instructions from Sukukholders who together hold, in aggregate, at least 70 per cent. of the Nominal Amount of such Sukuk as are current on such date, the Sukukholders' Agent shall promptly deliver to the Issuer an Exercise Notice (with a copy to the Sukukholders) so notifying the Issuer. Following receipt of such an Exercise Notice, the Issuer shall, pursuant to the Purchase Undertaking, purchase the Sukuk Assets from the Custodian by payment of the Purchase Price that is due in respect of the relevant Sukuk, together with any applicable Extra Amount, Periodic Default Distribution Amount or Specified Amount on such Purchase Date into the Transaction Account for payment to the relevant Sukukholder (as the case may be) by the Payment Administrator.

11.2 Events of Default

Each of the following events and circumstances constitutes an "**Event of Default**":

- (a) Default resulting in non-payment of Periodic Distribution Amount or Extra Amount:
- (i) the amount distributed to Sukukholders on any Periodic Distribution Date in accordance with Condition 5(b) (*Application of Proceeds - Net Income*) is less than the Periodic Distribution Amount for such Periodic Distribution Date; or
 - (ii) the amount distributed to Sukukholders on any Purchase Date is less than the Extra Amount for such Purchase Date;
- and such shortfall in amounts has not been paid in full five days after its due date and occurs as a direct result of the Issuer's or the Sukuk Administrator's default or negligence in performing its obligations under the Sukuk Documents; or
- (b) *Breach of other obligations*: the Issuer and/or the Sukuk Administrator defaults in the performance or observance of any of its other obligations under or in respect of the Sukuk and such default remains unremedied for 30 days after written notice thereof, addressed to the Issuer by any Sukukholder and/or the Sukukholders' Agent, has been delivered to the Issuer or to the specified office of the Payments Administrator; or
- (c) Cross-default of Issuer or Sukuk Administrator:
- (i) any Indebtedness of the Issuer or the Sukuk Administrator is not paid when due or (as the case may be) within any originally applicable grace period;
 - (ii) any such Indebtedness becomes due and payable prior to its stated maturity as a result of an event of default or other acceleration event (howsoever described); or
 - (iii) the Issuer or the Sukuk Administrator fails to pay when due any amount payable by it under any Guarantee of any Indebtedness;

provided that the amount of Indebtedness referred to in sub-paragraph (i) and/or sub- paragraph (ii) above and/or the amount payable under any Guarantee referred to in sub- paragraph (iii) above, individually or in the aggregate, exceeds SAR 75,000,000 (or its equivalent in any other currency or currencies); or

- (d) *Unsatisfied judgment*: one or more judgment(s) or order(s) for the payment of an amount in excess of SAR 75,000,000 (or its equivalent in any other currency or currencies), whether individually or in aggregate is rendered against the Issuer or the Sukuk Administrator and continue(s) unsatisfied and unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment; or
- (e) *Insolvency*: (i) the Issuer or the Sukuk Administrator becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator is appointed over the whole or at least 25 per cent. of the undertaking, assets and revenues of the Issuer or the Sukuk Administrator (or application for any such appointment is made) and such appointment is not discharged within 28 days, (iii) the Issuer or the Sukuk Administrator takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors (including any arrangement under the Settlement to Avoid Bankruptcy Law) or declares a moratorium in respect of any of its Indebtedness or any Guarantee of any Indebtedness given by it or (iv) the Issuer or the Sukuk Administrator ceases or threatens to cease to carry on all or any substantial part of its business (otherwise than for the purposes of, or pursuant to, an amalgamation,

reorganisation or restructuring whilst solvent which is either (A) initiated or mandated by any governmental body or authority of the Kingdom or (B) is approved by an Extraordinary Resolution *provided that* (in the case of (A) only) any entity to which all or any part of the Issuer's or the Sukuk Administrator's assets and business are then transferred unconditionally and irrevocably assumes on a joint and several basis as primary obligor all of Saudi Electricity Company's obligations under the Sukuk Assets Transfer Agreement and the Purchase Undertaking); or

- (f) *Winding up*: an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or the Sukuk Administrator (otherwise than for the purposes of, or pursuant to, an amalgamation, reorganisation or restructuring whilst solvent which is either (i) initiated or mandated by any governmental body or authority of the Kingdom or (ii) is approved by an Extraordinary Resolution *provided that* (in the case of (i) only) each surviving or resulting entity unconditionally and irrevocably assumes on a joint and several basis as primary obligor all of Saudi Electricity Company's obligations under the Sukuk Assets Transfer Agreement and the Purchase Undertaking); or
- (g) *Analogous event*: any event occurs under the laws, regulations or rules of the Kingdom has an analogous effect to any of the events referred to in paragraphs (d) (*Unsatisfied judgment*) to (f) (*Winding up*) above; or
- (h) *Distribution Sector Restructuring Event*: the Issuer's electricity distribution business (including, without limitation, the provision of Metering Services) is restructured by any governmental body or authority of the Kingdom with the result that such business is or no longer will be carried on by the Issuer directly (rather than through subsidiaries or affiliates) and the Issuer gives notice to the Sukukholders' Agent that, as a result, it will be impracticable for the Issuer to continue to perform its obligations under the Sukuk Documents or procure the performance of the services to be provided in respect of the Sukuk Assets under the Sukuk Assets Administration Agreement through a Subsidiary (a "**Distribution Sector Restructuring Event**");
- (i) *Failure to take action*: any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Issuer or the Sukuk Administrator lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the Sukuk or the Sukuk Documents and (ii) to ensure that those obligations are legal, valid, binding and enforceable is not taken, fulfilled or done; or
- (j) *Unlawfulness*: it is or becomes unlawful for the Issuer or the Sukuk Administrator to perform or comply with any or all of its obligations under or in respect of the Sukuk or the Sukuk Documents; or
- (k) *Non-Effectiveness of Sukuk Assets*: it is or becomes unlawful for the Issuer, the Sukuk Administrator or the Custodian to perform any of its material obligations under the Sukuk Assets or any documents relating to the Sukuk Assets or any Sukuk Assets or documents relating to the Sukuk Assets are held by a court not to be legally effective or the Issuer, the Sukuk Administrator or the Custodian repudiates or evidences an intention to repudiate any document relating to the Sukuk Assets.

If an Event of Default occurs and is continuing, the Sukukholders' Agent will as soon as is reasonably practicable after it receives notice thereof give notice of the occurrence of such Event of Default to the Sukukholders requiring them to indicate within a period of up to 15 days, or such other date as is notified to Sukukholders by the Sukukholders' Agent, (the "**Exercise Period**") whether they wish the Sukukholders' Agent to exercise their rights under the Purchase Undertaking. Any Sukukholder may then deliver a notice in the form set out in Appendix I, Part (C) to the Prospectus (a "**Purchase Notice**") within such Exercise Period to the Sukukholders' Agent requesting the Sukukholders' Agent to exercise its rights under the Purchase Undertaking and require the Issuer to purchase the Sukuk Assets.

In addition, on or prior to the Closing Date, and at any time thereafter, Sukukholders will be entitled to complete a standing instruction available from the Sukukholders' Agent in the form set out in Appendix I, Part (B) to the Prospectus (a "**Restructuring Instruction**") to the Sukukholders' Agent requesting it to give on their behalf an Exercise Notice in respect of their Sukuk following the occurrence of a Distribution Sector Restructuring Event. The Sukukholders' Agent shall deliver an Exercise Notice in respect of all Sukuk for which there are Restructuring Instructions as soon as practicable after the commencement of the Exercise Period *provided that* if at the time that the Sukukholders' Agent delivers such an Exercise Notice that Sukukholders' Agent has received Restructuring Instructions (which have not been subsequently revoked) from Sukukholders who together hold, in aggregate, at least 70 per cent. of the Nominal Amount of the Sukuk that are current at such time, then the Sukukholders' Agent shall deliver an Exercise Notice in respect of all the Sukuk that are current at the relevant time.

Sukuk in respect of which a Purchase Notice is delivered under this Condition 11.2 may not be transferred until after the expiry of the Exercise Period and only to the extent not purchased by the Issuer during such Exercise Period in accordance with the Conditions. If the Sukukholders' Agent receives a Purchase Notice under this Condition 11.3, the Sukukholders' Agent shall promptly give notice to the Issuer, the Custodian, the Payments Administrator and the Joint Lead Managers, Jonit Bookrunners and Underwriters that such a Purchase Notice has been received, specifying the Event of Default referred to therein (but so that such notice shall only be given in relation to the first Purchase Notice received in respect of any Event of Default).

If the Sukukholders' Agent receives Purchase Notices from the Required Sukukholders within the Exercise Period, then the Sukukholders' Agent shall promptly deliver to the Issuer an Exercise Notice so notifying the Issuer (with a copy to the Sukukholders) and, provided that the Event of Default in respect of such Exercise Notice is continuing, the Issuer shall, pursuant to the Purchase Undertaking, immediately purchase the Sukuk Assets from the Custodian by payment into the Transaction Account of the Purchase Price as of the date on which Purchase Notices from the Sukukholders were first received, together with payment of the Periodic Default Amount (calculated as of the date of such purchase) and any Specified Amount (if relevant) for payment to the Sukukholders by the Payments Administrator.

11.3 Change of Control

The Issuer has agreed in the Declaration of Agency to notify the Sukukholders' Agent forthwith upon becoming aware of the occurrence of a Change of Control, specifying the nature and details of the Change of Control. The Sukukholders' Agent, upon receipt of such notice from the Issuer or otherwise upon becoming aware of the occurrence of a Change of Control or at any time following the occurrence of a Change of Control, may, or if so requested in writing by the Required Sukukholders or 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 Sukukholders in accordance with Condition 17 (Notices) of the Change of Control. The Change of Control Notice shall specify the nature and details of the Change of Control, the Change of Control Exercise Period and the Change of Control Exercise Date (each as defined below).

If a Change of Control occurs, upon the Required Sukukholders giving notice to the Sukukholders' Agent 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 Exercise Period**"), the Issuer shall purchase such Sukuk on the Change of Control Exercise Date at the Change of Control Purchase Price.

In order to require the Issuer to purchase all or any of its Sukuk in accordance with this Condition 11.3 following a Change of Control, a Sukukholder must deliver a duly completed and signed Purchase Notice to the Sukukholders' Agent within the Change of Control Exercise Period. A Sukukholder may exercise its right under this Condition 11.3 in any multiple of the Authorised Holding.

Sukuk in respect of which a Purchase Notice is delivered under this Condition 11.3 may not be transferred until after the expiry of the Change of Control Exercise Period and only to the extent not purchased by the Issuer

during such Change of Control Exercise Period in accordance with the Conditions. If the Sukukholders' Agent receives a Purchase Notice under this Condition 11.3, the Sukukholders' Agent shall promptly give notice to the Issuer, the Custodian, the Payments Administrator and the Joint Lead Managers, Joint Bookrunners and Underwriters that such a Purchase Notice has been received.

If the Sukukholders' Agent receives Purchase Notices from the Required Sukukholders within the Change of Control Exercise Period, then the Sukukholders' Agent shall promptly deliver to the Issuer an Exercise Notice so notifying the Issuer and the Issuer shall, pursuant to the Purchase Undertaking, purchase the relevant Sukuk from the Sukukholders that have delivered Purchase Notices by payment into the Transaction Account of the relevant Change of Control Purchase Price on the Change of Control Exercise Date for payment to such Sukukholders by the Payments Administrator.

For the purposes of the Conditions, "**Change of Control Exercise Date**" shall be the tenth Business Day after the expiry of the Change of Control Exercise Period.

11.4 Enforcement and Exercise of Rights

- (a) Following the distribution of the proceeds of the Sukuk Assets in respect of the Sukuk to the Sukukholders in accordance with these Conditions and the Declaration of Agency, the Sukukholders' Agent shall not be liable for any further sums, and accordingly no Sukukholder may take any action against the Sukukholders' Agent or any other Person to recover any such sum in respect of the Sukuk or the Sukuk Assets.
- (b) The Sukukholders' Agent shall not be bound in any circumstances to take any action to enforce or to realise the Sukuk Assets or take any action against the Issuer under any Sukuk Document to which the Issuer or the Custodian is a party unless directed or requested to do so (a) by an Extraordinary Resolution or (b) in writing by the Required Sukukholders and in either case then only if it shall be indemnified and/or secured to its satisfaction against all liabilities to which it may thereby render itself liable or which it may incur by so doing.
- (c) No Sukukholder shall be entitled to proceed directly against the Issuer or the Custodian unless (i) the Sukukholders' Agent, having become bound so to proceed, fails to do so within 60 days of becoming so bound and such failure is continuing and (ii) the relevant Sukukholder (or such Sukukholder together with the other Sukukholders who propose to proceed directly against the Issuer or the Custodian) holds at least 25 per cent. of the aggregate Nominal Amount of the Sukuk then current on such date. Under no circumstances shall the Sukukholders' Agent or any Sukukholders have any right to cause the sale or other disposition of any of the Sukuk Assets except pursuant to the Purchase Undertaking, and the sole right of the Sukukholders' Agent and Sukukholders against the Issuer or the Custodian shall be to enforce the obligation of the Issuer to pay the amounts to the credit of, or required to be credited to, the Transaction Account. For the avoidance of doubt, the Sukukholders' Agent shall not be bound to act or proceed unless it has been indemnified and/or secured to its satisfaction.
- (d) The foregoing paragraphs in this Condition 12 (*Enforcement and Exercise of Rights*) are subject to this paragraph. After distributing the net proceeds of the Sukuk Assets in accordance with Condition 5(b) (*Application of Proceeds - Net Income*) and Condition 5(c) (*Application of Proceeds - Reserve*), the obligations of the Sukukholders' Agent in respect of the Sukuk shall be satisfied and no Sukukholder may take any further steps against the Sukukholders' Agent to recover any further sums in respect of the Sukuk and the right to receive any such sums unpaid shall be extinguished. Without prejudice to any liability that the Issuer may have under the Purchase Undertaking, no Sukukholder shall be entitled to petition or to take any other steps against the Issuer, the Custodian or the Sukukholders' Agent in respect of the Sukuk or the Sukuk Assets.

Notwithstanding any other provision of the Sukuk Documents and these Conditions, the Sukuk Administrator shall have no liability to any Sukukholder or to the Sukukholders' Agent for any default or negligence, or alleged default or negligence, in the performance of its obligations under the Sukuk Assets Administration Agreement and/or the Declaration of Agency so long as the Sukuk Administrator (or any Person on its behalf)

transfers into the Transaction Account the full amount of any Periodic Distribution Amount and/or Extra Amount payable to the Sukukholders on the due date in accordance with these Conditions, and upon such payment being made no Event of Default will be deemed to have occurred.

13. Agents

In acting under the Payments Administration Agreement and in connection with the Sukuk, the Payments Administrator acts as agent of the Issuer and does not assume any obligations towards or relationship of agency for or with any of the Sukukholders. The Payments Administrator and its initial specified office are set out in the "*Parties and Advisers*" section on page 7. The Issuer reserves the right at any time to vary or terminate the appointment of the Payments Administrator and to appoint a successor Payments Administrator; *provided, however*, that the Issuer shall at all times maintain a Payments Administrator in the Kingdom. Notice of any change of the Payments Administrator or in its specified office shall promptly be given to the Sukukholders.

14. Meetings of Sukukholders; Modification

- (a) *Meetings of Sukukholders:* The Declaration of Agency contains provisions for convening meetings of Sukukholders to consider matters relating to the Sukuk, including the modification of any provision of these Conditions. Any such modification (and certain other proposals) may be made if sanctioned by an Extraordinary Resolution and approved by the Issuer. Such a meeting may be convened by the Issuer and shall be convened by the Issuer upon the request in writing of Sukukholders holding not less than one-tenth of the aggregate Nominal Amount of such of the Sukuk as are current as of such date. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing at least half of the aggregate Nominal Amount of such of the Sukuk as are current as of such date or, at any adjourned meeting, one quarter of the aggregate Nominal Amount of such of the Sukuk as are current as of such date.

An Extraordinary Resolution requires the affirmative vote of at least one more than half of those represented in the relevant meeting in order for it to be passed. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all Sukukholders, whether present or not. The Declaration of Agency provides that a written resolution signed by or on behalf of the holders of not less than two-thirds of the aggregate Nominal Amount of the Sukuk as are current as of such date shall be valid and effective as a duly passed Extraordinary Resolution.

- (b) *Modification:* The Declaration of Agency provides that the Sukukholders' Agent may agree, without the consent of the Sukukholders, to any modification (subject to certain exceptions as provided in the Declaration of Agency) of, or to any waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Declaration of Agency, or may determine that an Event of Default, shall not be treated as such which in any such case, in the opinion of the Sukukholders' Agent, is not materially prejudicial to the interests of the Sukukholders or to any modification of any of these Conditions or any of the provisions of the Declaration of Agency which is (in the opinion of the Sukukholders' Agent) of a formal, minor or technical nature or which is made to correct a manifest error or to comply with mandatory provisions of law. Any such modification, waiver, authorisation or determination shall be binding on the Sukukholders and, unless the Sukukholders' Agent agrees otherwise, any such modification shall be notified to the Sukukholders as soon as practicable thereafter in accordance with Condition 17 (*Notices*).

In connection with the exercise by it of any of its powers, authorities or discretions (including, but without limitation, any modification, waiver, authorisation or substitution), the Sukukholders' Agent shall have regard to the interests of the Sukukholders as a class and, in particular, but without limitation, need not have regard to the consequences of such exercise for individual Sukukholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Sukukholders' Agent shall not be entitled to require, nor shall any Sukukholder be entitled to claim, from the Issuer or any other Person any indemnification or payment in respect of any Tax consequence of any such exercise upon individual Sukukholders.

15. Taxation

All payments or distributions in respect of the Sukuk by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any Taxes unless the withholding or deduction of such Taxes are required by law. In that event, but only to the extent that such amounts are otherwise available for distribution to the Sukukholders from the Net Income or amounts standing to the credit of the Reserve, the Issuer shall pay such additional amounts (the "**Tax Amount**") as would result in the receipt by the Sukukholders of such amounts as would have been received if no such withholding or deduction had been required. If such amounts are insufficient to pay the Tax Amount, no further amounts shall be payable to the Sukukholders. References herein to the Periodic Distribution Amount, the Extra Amount and any other amounts payable to the Sukukholders, shall include any additional amounts so payable pursuant to this Condition 15 (*Taxation*).

16. Indemnification and Liability of the Sukukholders' Agent

- (a) The Declaration of Agency contains provisions for the indemnification of the Sukukholders' Agent in certain circumstances and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured to its satisfaction. In particular, in connection with the exercise of any of its rights in respect of the Sukuk Assets, the Sukukholders' Agent shall in no circumstances take any action unless directed to do so in accordance with Condition 12 (*Enforcement and Exercise of Rights*), and then only if it shall have been indemnified and/or secured to its satisfaction.
- (b) The Sukukholders' Agent makes no representation and assumes no responsibility for the validity, sufficiency or enforceability of the obligations of the Issuer under any Sukuk Document to which the Issuer is a party and shall not under any circumstances have any liability or be obliged to account to the Sukukholders in respect of any payment which should have been made by the Issuer or on its behalf, but is not so made, and shall not in any circumstances have any liability arising from the Sukuk Assets other than as expressly provided in these Conditions or in the Declaration of Agency.
- (c) The Sukukholders' Agent is excepted from (i) any liability in respect of any loss or theft of the Sukuk Assets or any cash, (ii) any obligation to insure the Sukuk Assets or any cash and (iii) any claim arising from the fact that the Sukuk Assets or any cash are held by or on behalf of the Sukukholders' Agent or on deposit, unless such loss or theft arises as a result of gross negligence, wilful default or fraud of the Sukukholders' Agent.
- (d) The Sukukholders' may, by way of Extraordinary Resolution, revoke their appointment of the Sukukholders' Agent by not less than thirty (30) days' notice to the Sukukholders' Agent; provided, however that such revocation shall not take effect until such successor has been duly appointed in accordance with the Declaration of Agency.

17. Notices

Notices to the Sukukholders will be sent to them by registered mail to their respective addresses on the Register. Any such notice shall be deemed to have been given on the fifth day after the date of mailing. In addition, notices of any meetings of Sukukholders shall be published in the Official Gazette and in a daily newspaper with circulation in the locality of the Issuer's head office at least 25 days prior to the date set for the initial meeting and at least 30 days prior to the date set for any adjourned meeting.

18. Governing Law and Jurisdiction

- (a) *Governing law*: The Sukuk Documents are governed by, and are to be construed in accordance with, the laws and regulations of the Kingdom.
- (b) *Jurisdiction*: The Committee and the Appeal Panel shall have exclusive jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with the Sukuk or the Sukuk Documents and, for such purposes, all relevant parties (including, the Issuer and the

Sukukholders) irrevocably submit to the jurisdiction of the Committee and the Appeal Panel. No suit, action or proceedings which may arise out of or in connection with the Sukuk or the Sukuk Documents may be filed or brought outside the Kingdom and no court or any judicial authority outside the Kingdom shall have jurisdiction to hear any such claim.

ANNEX 2

Part C

Form of Purchase Notice

To: [●]
as Sukukholders' Agent

SAUDI ELECTRICITY COMPANY Sukuk expiring [●] (the "Sukuk")

PURCHASE NOTICE

We hereby, in accordance with [Condition 11.2 (*Events of Default*)]¹ [Condition 11.3 (*Change of Control*)]² of the terms and conditions of the Sukuk set out in the Prospectus dated 27/3/1435H (corresponding to 28 January 2014G), as amended or supplemented from time to time, issued by Saudi Electricity Company (the "**Conditions**"), provide instruction to the Sukukholders' Agent to exercise its rights under the Purchase Undertaking to require the Issuer to purchase the [Sukuk Assets, on account of the Event of Default specified below having occurred and being continuing as of the date hereof]³ [the Sukuk held by us whose aggregate Nominal Amount we have specified below, on account of the Change of Control referred to in the Change of Control Notice dated [●] delivered to us by the Sukukholders' Agent]⁴.

Name of registered Sukukholder: _____

Aggregate Nominal Amount of Sukuk: SAR _____

[Details of Event of Default: *]⁵

[Aggregate Nominal Amount of Sukuk to be purchased: SAR _____]⁶

Terms and expressions used in this notice but not defined herein have the same meanings as given to them in the Conditions.

Yours faithfully

By: _____
duly authorised
for and on behalf of

Name of Sukukholder: _____

Date: _____

¹ Delete in case of Change of Control.

² Delete in case of Event of Default.

³ Delete in case of Change of Control.

⁴ Delete in case of Event of Default.

* Set out brief details.

⁵ Delete in case of Change of Control.

⁶ Delete in case of Event of Default.

ANNEX 3

Part D

Form of Exercise Notice

To: Saudi Electricity Company

SAUDI ELECTRICITY COMPANY
Sukuk expiring [●] (the "Sukuk")

EXERCISE NOTICE

We refer to:

- (1) the Prospectus dated 27/3/1435H (corresponding to 28 January 2014G), as amended or supplemented from time to time, issued by Saudi Electricity Company (the "**Prospectus**"); and
- (2) the purchase undertaking dated [●] given by Saudi Electricity Company in connection with the Sukuk.

We hereby give you notice that:

[select one of the following and complete/delete as appropriate]

- pursuant to Condition 11.1(d) (*Purchase Date*) that we have received Standing Instructions (which have not subsequently been revoked) and/or Specific Instructions in accordance with [Condition 11.1(c) (*Purchase Date*)] on or before the date which is 30 days prior to the Purchase Date falling in [●][●][●][●]* requiring us to give an Exercise Notice in relation to such Purchase Date from Sukukholders who together hold, in aggregate, at least [●] per cent. of the Nominal Amount of the Sukuk as were current on such date, and accordingly the Sukuk Assets are to be purchased by you on such Purchase Date in accordance with the Purchase Undertaking and Condition 11.1(d) (*Purchase Date*).
- pursuant to Condition 11.2 (*Events of Default*) that we have received Purchase Notices from the Required Sukukholders within the Exercise Period in relation to the Event of Default specified below and accordingly, so long as such Event of Default is continuing, the Sukuk Assets are to be purchased by you immediately in accordance with the Purchase Undertaking and Condition 11.2 (*Events of Default*).
- pursuant to Condition 11.3 (*Change of Control*) that we have received Purchase Notices from the Required Sukukholders within the Change of Control Exercise Period in relation to a Change of Control and accordingly, the Sukuk with an aggregate Nominal Amount equal to SAR [●] are to be purchased by you immediately in accordance with the Purchase Undertaking and Condition 11.3 (*Change of Control*).

[SET OUT DETAILS OF EVENT OF DEFAULT (IF APPLICABLE)]

Terms and expressions used in this instruction but not defined herein have the same meanings as given to them in the terms and conditions of the Sukuk as set out in the Prospectus.

Yours faithfully

By: _____
duly authorised
for and on behalf of

[●]
as Sukukholders' Agent

Date: _____