

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS (“QIBs”) UNDER RULE 144A OF THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) OR (2) OUTSIDE OF THE UNITED STATES IN OFFSHORE TRANSACTIONS WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT (“REGULATION S”) (AND, IF INVESTORS ARE RESIDENT IN A MEMBER STATE OF THE EUROPEAN ECONOMIC AREA, A QUALIFIED INVESTOR).

IMPORTANT: You must read the following before continuing. The following applies to the offering memorandum following this important notice, whether received by email or otherwise received as a result of electronic communication. You are therefore advised to read this carefully before reading, accessing or making any other use of the offering memorandum. In accessing the offering memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

THE OFFERING MEMORANDUM HAS BEEN PREPARED IN CONNECTION WITH THE PROPOSED OFFER AND SALE OF THE SECURITIES DESCRIBED HEREIN. THE FOLLOWING OFFERING MEMORANDUM AND ITS CONTENTS ARE CONFIDENTIAL, MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER OR DISCLOSED BY RECIPIENTS TO ANY OTHER PERSON. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED HEREIN.

Confirmation of your representation: In order to be eligible to view this offering memorandum or make an investment decision with respect to the securities, investors must be either (i) QIBs (within the meaning of Rule 144A under the Securities Act (“**Rule 144A**”)) or (ii) persons who are outside the United States in an offshore transaction outside the United States in reliance on Regulation S; provided that investors resident in a Member State of the European Economic Area must be a qualified investor (within the meaning of Article 2(1)(e) of Directive 2003/71/EC and any relevant implementing measure in each Member State of the European Economic Area).

This offering memorandum is being sent at your request and by accepting the e-mail and accessing this offering memorandum, you shall be deemed to have represented to us and the initial purchasers named as such in the attached offering memorandum (the “**Initial Purchasers**”) that (i) you and any customers you represent are either (a) QIBs or (b) a person who is outside the United States in an offshore transaction outside the United States in reliance on Regulation S and that the electronic mail address that you gave us and to which this offering memorandum has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any state of the United States or the District of Columbia (and if you are resident in a Member State of the European Economic Area, you are a qualified investor) and (ii) that you consent to delivery of this offering memorandum by electronic transmission. Prospective purchasers that are QIBs are hereby notified that the sellers of the securities will be relying on the exemption from the provisions of Section 5 of the Securities Act pursuant to Rule 144A.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. You are reminded that this offering memorandum has been delivered to you on the basis that you are a person into whose possession this offering memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver this offering memorandum to any other person.

This offering memorandum may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Offers of Securities Regulations issued by the Capital Market Authority. The Capital Market Authority does not make any representation as to the accuracy or completeness of this offering memorandum, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this

document. Prospective purchasers of the securities offered hereby should conduct their own due diligence on the accuracy of the information relating to the securities. If you do not understand the contents of this offering memorandum you should consult an authorized financial adviser.

This offering memorandum has not been approved by an authorized person in the United Kingdom and is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “**Financial Promotion Order**”), (ii) are persons falling within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations, etc.”) of the Financial Promotion Order, (iii) are outside the United Kingdom or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the “**FSMA**”)) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “relevant persons”). This offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which the offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons. No person may communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the securities other than in circumstances in which Section 21(1) of the FSMA does not apply to us.

This offering memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission, and consequently none of the Initial Purchasers or any person who controls any of the Initial Purchasers, or any of their directors, officers, employees or agents accepts any liability or responsibility whatsoever in respect of any difference between the offering memorandum distributed to you in electronic format and the hard copy version available to you on request from the Initial Purchasers.



ACWA POWER MANAGEMENT AND INVESTMENTS ONE LIMITED

(incorporated under the laws of the Dubai International Financial Centre)

US\$814,000,000 5.95% Senior Secured Bonds due 2039

We are offering US\$814,000,000 5.95% Senior Secured Bonds due 2039 (the “**Bonds**,” and such offering, the “**Offering**”). Interest on the Bonds will accrue from the Issue Date (as defined herein) at a rate of 5.95% per annum and will be payable semiannually in arrears on June 15 and December 15 of each year, commencing on June 15, 2017. Principal on the Bonds will be payable semiannually in installments, pursuant to an amortization schedule set forth herein, on June 15 and December 15 of each year, commencing on June 15, 2021. Unless previously redeemed or purchased and canceled, the Bonds will mature on December 15, 2039.

ACWA Power Management and Investments One Limited (the “**Issuer**,” “**we**” or “**us**”), is a limited company incorporated under the laws of the Dubai International Financial Centre (“**DIFC**”) as a wholly owned subsidiary of International Company for Water and Power Projects, a joint stock company organized under the laws of the Kingdom of Saudi Arabia (“**ACWA Power**”).

The Bonds will be our senior obligations, will rank senior in right of payment to all existing and future debt that is expressly subordinated in right of payment to the Bonds and will rank *pari passu* in right of payment with all existing and future debt that is not so subordinated. None of ACWA Power, Arabian Company for Water and Power Projects (“**APP**”) or First National Operations & Maintenance Company Limited (“**NOMAC**”), or any of their respective subsidiaries and affiliates, the Project Companies (as defined herein) or any other person will guarantee the Bonds.

On the Issue Date (as defined herein), our obligations under the Bonds will be secured by a security interest over the Issue Date Bond Collateral (as defined herein). As of the date of this offering memorandum (the “**Offering Memorandum**”), ACWA Power is in the process of restructuring NOMAC as described under “*NOMAC Restructuring*.” As set out herein, upon the transfer of shares of NOMAC to NOMAC Holding Company (as defined herein), the obligations under the Bonds will be secured by a security interest over the Post-Closing Bond Collateral (as defined herein and, together with the Issue Date Bond Collateral, the “**Bond Collateral**”). To the extent permitted under the Indenture, ACWA Power Sukuk SPC Limited, a special purpose company incorporated in DIFC with limited liability (and owned by a trustee for the benefit of a charity) may issue senior secured *Sukuk* trust certificates (the “**Trust Certificates**”) which will share in the Bond Collateral and have the benefit of the assigned cash flows, as described below. If such Trust Certificates are issued, then the holders of the Trust Certificates will have the benefit of a separate collateral package over largely the same assets as the Bond Collateral (excluding the security over certain of our accounts and the pledge over our shares which will be pledged solely to the Offshore Bond Security Agent (as defined herein) for the benefit of the Bondholders (as defined herein)) (the “**Sukuk Collateral**”). In this case, the collateral will secure the Bonds, any Additional Bonds permitted to be incurred under the Indenture and such Trust Certificates on a *pro rata* basis based on the aggregate principal amount of the Bonds and Additional Bonds (as defined in the “*Description of the Bonds*”) issued and outstanding and the face amount of the Trust Certificates issued and outstanding. Pursuant to the terms of the Collateral Coordination Agreement (as defined in “*Description of the Bonds*”), any proceeds received upon any enforcement action over any Bond Collateral will be applied to repayment of all obligations under the Bonds and any Additional Bonds permitted to be incurred under the Indenture, and any proceeds received upon any enforcement action over any Sukuk Collateral will be applied in repayment of all obligations under the Trust Certificates. The Collateral Coordination Agreement will provide for equalization between the Bondholders and the holders of the Trust Certificates in the event that, following such application, the proceeds of enforcement are insufficient to discharge all of the liabilities in respect of both the Bonds and the Trust Certificates. The proceeds from the enforcement of the Bond Collateral may not be sufficient to satisfy the obligations owed to the Bondholders and certain of the Bond Collateral may be released or be subject to certain approvals upon enforcement. See “*Risk Factors—Risks Related to the Bonds and the Bond Collateral—Risks Related to the Bond Collateral—The value of the Bond Collateral securing the Bonds may not be sufficient to satisfy our obligations under the Bonds and the Bond Collateral securing the Bonds may be reduced or diluted under certain circumstances*.” The validity and enforceability of the security interests will be subject to certain limitations. See “*Risk Factors—Risks Related to the Bonds and the Bond Collateral*” and “*Certain Limitations on Validity and Enforceability of Civil Claims and Security Interests*.” The security interests may be released under certain circumstances.

We may redeem all or a portion of the Bonds at a redemption price equal to 100% of the principal amount of the Bonds redeemed plus accrued and unpaid interest and additional amounts, if any, to the redemption date and a “make whole” premium, if any, as set out in this Offering Memorandum. In addition, we may redeem all, but not less than all, of the Bonds in the event of certain changes in tax law at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any. Upon the occurrence of certain events constituting a change of control, we may be required to make an offer to repurchase all of the Bonds at a redemption price equal to 101% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any. We may also be required to redeem the Bonds under certain specified circumstances as more fully described in “*Description of the Bonds—Mandatory Redemption*.”

This Offering Memorandum includes information relating to the terms of the Bonds, including redemption and repurchase prices, covenants and transfer restrictions. See “*Description of the Bonds*.”

Investing in the Bonds involves a high degree of risk. See “*Risk Factors*” beginning on page 52.

The Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”), or the laws of any other jurisdiction. The Bonds are being offered within the United States only to qualified institutional buyers (“**QIBs**”) in reliance on Rule 144A under the Securities Act (“**Rule 144A**”) and to persons outside the United States in reliance on Regulation S under the Securities Act (“**Regulation S**”). For a description of selling and transfer restrictions, and further details about eligible offerees, see “*Notice to Investors*,” “*Plan of Distribution—Selling Restrictions*” and “*Transfer Restrictions*.” You are hereby notified that sellers of the Bonds may be relying on the exemption from Section 5 of the Securities Act provided by Rule 144A.

Application has been made to The Irish Stock Exchange PLC for the Bonds to be admitted to the Official List and to trading on the Global Exchange Market of the Irish Stock Exchange. The Global Exchange Market of the Irish Stock Exchange is not a regulated market for the purposes of Directive 2004/39/EC (as amended). No assurance can be given that the application will be granted. Furthermore, admission of the Bonds to the Official List of the Irish Stock Exchange and to trading on the Global Exchange Market thereof is not an indication of the merits of the Issuer or the Bonds. There can be no assurance that a trading market in the Bonds will develop or be maintained.

The Initial Purchasers (as defined herein) expect to deliver the Bonds on or about May 15, 2017 (the “**Issue Date**”) through the book-entry facilities of Depository Trust Company (“**DTC**”) and its participants, including Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking, *société anonyme* (“**Clearstream, Luxembourg**”).

Sole Structuring Adviser

Jefferies

Joint Global Coordinators

Citigroup

Jefferies

Joint Lead Managers and Joint Bookrunners

Jefferies CCB Singapore Citigroup Mizuho Securities NCB Capital Standard Chartered Bank

Co-Managers

MUFG

SMBC Nikko

The date of this Offering Memorandum is May 3, 2017

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NOTICE TO INVESTORS

This Offering Memorandum does not constitute an offer to sell, or a solicitation of an offer to buy, any Bonds offered hereby by any person in any jurisdiction in which it is unlawful for such person to make an offer or solicitation. You should assume that the information included in this Offering Memorandum is accurate as of the date on the front cover only. Neither the delivery of this Offering Memorandum nor any sale made hereunder shall under any circumstances imply that there has been no change in our affairs or those of APP and our respective affiliates (including the Project Companies and NOMAC) or that the information set forth in this Offering Memorandum is correct as of any date subsequent to the date of this Offering Memorandum.

This Offering Memorandum has been prepared by us solely for use in connection with the Offering and may be used only for the purposes for which it has been published. None of Jefferies International Limited, China Construction Bank Corporation, Singapore Branch, Citigroup Global Markets Limited, Mizuho International plc, NCB Capital Company, Standard Chartered Bank, MUFG Securities EMEA plc or SMBC Nikko Capital Markets Limited (together, the “**Initial Purchasers**”) or the Issuer has authorized any other person to provide you with any other information. If anyone provides you with any other information, you should not rely on it. You should rely only upon the information contained in this Offering Memorandum.

To the fullest extent permitted by law, none of the Initial Purchasers accepts any responsibility for the contents of this Offering Memorandum or for any other statement made or purported to be made by any Initial Purchaser or on its behalf in connection with the Issuer or the issue and offering of the Bonds. Each Initial Purchaser accordingly disclaims all and any liability, whether arising in tort or contract or otherwise (save as referred to above), which it might otherwise have in respect of this Offering Memorandum or any such statement.

This Offering Memorandum has been prepared by us solely for use in connection with the Offering. This Offering Memorandum is personal to each prospective investor and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Bonds. Distribution of this Offering Memorandum to any person other than the prospective investor and any person retained to advise such prospective investor with respect to the purchase of the Bonds is unauthorized, and any disclosure of any of the contents of this Offering Memorandum, without our prior written consent, is prohibited. Each prospective investor, by accepting delivery of this Offering Memorandum, agrees to the foregoing and to make no photocopies of this Offering Memorandum or any documents referred to in this Offering Memorandum. You may not use any information herein for any purpose other than considering an investment in the Bonds.

The Offering is being made solely on the basis of this Offering Memorandum and any decision to invest in the Bonds should be based only on information contained in this Offering Memorandum.

The information contained in this Offering Memorandum has been furnished by us or has been extracted from other sources we believe to be reliable. We accept responsibility for the information contained in this Offering Memorandum. To the best of our knowledge and belief, having taken all reasonable care to ensure that such is the case, the information contained in this Offering Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information. No representation or warranty, express or implied, is made by any of the Initial Purchasers or their respective affiliates, officers, directors or employees as to the accuracy or completeness of any of the information set forth in this Offering Memorandum, and nothing contained in this Offering Memorandum is, or shall be relied upon as, a promise or representation, whether as to the past or the future.

You should not construe the contents of this Offering Memorandum as investment, legal or tax advice. You should consult your own counsel, accountant and other advisers as to legal, tax, business, financial and related aspects of a purchase of the Bonds. You are responsible for making your own examination of the Issuer and its affiliates described in this Offering Memorandum and your own assessment of the merits and risks of investing in the Bonds. You must comply with all laws applicable in any jurisdiction in which you buy, offer or sell the Bonds or possess or distribute this Offering Memorandum, and you must obtain all applicable consents and approvals. Neither we nor any of the Initial Purchasers shall have any responsibility for compliance with any of the foregoing legal requirements.

The information set out in those sections of this Offering Memorandum describing clearing and settlement is subject to any change or reinterpretation of the rules, regulations and procedures of DTC, Euroclear and Clearstream, Luxembourg currently in effect. Investors wishing to use these clearing systems are advised to confirm the continued applicability of their rules, regulations and procedures. We will not have any responsibility or liability for any aspect of the records relating to, or payments made on account of, book-entry interests held through the facilities of any clearing system or for maintaining, supervising or reviewing any records relating to such book-entry interest.

No person is authorized in connection with any offering made by this Offering Memorandum to give any information or to make any representation not contained in this Offering Memorandum and, if given or made, any other information or representation must not be relied upon as having been authorized by us or the Initial Purchasers. The information contained in this Offering Memorandum is accurate as of the date hereof and is subject to change, completion or amendment without notice. The delivery of this Offering Memorandum at any time shall not, under any circumstances, create any implication that there has been no change in the information set forth in this Offering Memorandum or in our affairs since the date of this Offering Memorandum. None of the Initial Purchasers undertakes to review our financial condition or affairs or those of APP and our and their respective affiliates (including the Project Companies and NOMAC) during the term of the Bonds or to advise any investor in the Bonds of any information coming to their attention.

By receiving this Offering Memorandum, you acknowledge that you have had an opportunity to request from us for review, and that you have received, all additional information you deem necessary to verify the accuracy and completeness of the information contained in this Offering Memorandum. You also acknowledge that you have not relied on the Initial Purchasers in connection with your investigation of the accuracy of this information or your decision whether to invest in the Bonds.

We reserve the right to withdraw the Offering of the Bonds at any time, and each of the Initial Purchasers reserves the right to reject any commitment to subscribe for Bonds in whole or in part and to allot to you less than the full amount of Bonds subscribed for by you.

This Offering Memorandum constitutes the listing particulars in respect of the admission of the Bonds to the Official List and to trading on the Global Exchange Market of the Irish Stock Exchange. Since the date of our incorporation, we have not commenced operations and we have not prepared financial statements as of the date of these listing particulars.

Application has been made to the Irish Stock Exchange PLC for the Bonds to be admitted to the Official List and to trading on the Global Exchange Market of the Irish Stock Exchange. The Global Exchange Market of the Irish Stock Exchange is not a regulated market for the purposes of Directive 2004/39/EC (as amended). No assurance can be given that the application will be granted. Furthermore, admission of the Bonds to the Official List of the Irish Stock Exchange and to trading on the Global Exchange Market thereof is not an indication of the merits of the Issuer or the Bonds. There can be no assurance that a trading market in the Bonds will develop or be maintained.

In connection with the Offering, Citigroup Global Markets Limited (or persons acting on its behalf) (the “Stabilizing Manager”) may over-allot the Bonds or effect transactions with a view to supporting the market price of the Bonds at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilizing Manager will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the Offering is made and, if begun, may be ended at any time, but it must end no later than 30 days after the date on which the Issuer received the proceeds of the issue, or no later than 60 days after the date of the allotment of the Bonds, whichever is earlier. Any stabilization action over-allotment will be conducted by the Stabilizing Manager in accordance with all applicable laws, regulations and rules.

Investors may be required to bear the financial risk of an investment in the Bonds for an indefinite period. The Bonds are not transferable except in compliance with the restrictions described in “*Transfer Restrictions.*”

Neither we nor the Initial Purchasers represent that this Offering Memorandum may be lawfully distributed, or that any Bonds may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by us or the Initial Purchasers that is intended to permit a public offering of any Bonds or distribution of this Offering Memorandum in any jurisdiction where registration or other action for that purpose is required. Accordingly, no Bonds may be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Memorandum or any Bonds may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Memorandum and the offering and sale of the Bonds. In particular, there are restrictions on the distribution of this Offering Memorandum, eligible offerees and the offer or sale of Bonds in the United States, the United Kingdom, the Kingdom of Saudi Arabia and other countries. See “*Plan of Distribution—Selling Restrictions*” and “*Transfer Restrictions.*”

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor

should consult its legal advisers to determine whether and to what extent (i) the Bonds are legal investments for it, (ii) the Bonds can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable risk-based capital or similar rules. Neither we nor the Initial Purchasers make any representation to any investor in the Bonds regarding the legality of its investment under any applicable laws.

NOTICE TO U.S. INVESTORS

The Offering is being made in the United States in reliance upon an exemption from registration under the Securities Act for an offer and sale of the Bonds which does not involve a public offering. The Bonds have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and are subject to certain restrictions on transfer.

The Bonds are being offered within the United States only to qualified institutional buyers (“**QIBs**”) in reliance on Rule 144A under the Securities Act and outside the United States in reliance on Regulation S under the Securities Act. Prospective purchasers are hereby notified that the seller of any Bonds may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Each purchaser of the Bonds will be deemed to have made the representations, warranties, and acknowledgements that are described in this Offering Memorandum under “*Transfer Restrictions*” and “*ERISA and Benefit Plan Considerations—Representations and Warranties*.”

The Bonds described in this Offering Memorandum have not been registered with, recommended by or approved by the U.S. Securities and Exchange Commission (the “Securities and Exchange Commission”) or any other United States federal or state securities commission or regulatory authority, nor has the Securities and Exchange Commission or any of the foregoing authorities confirmed the accuracy or determined the adequacy of this Offering Memorandum. Any representation to the contrary is a criminal offense.

NOTICE TO RESIDENTS OF THE KINGDOM OF SAUDI ARABIA

This Offering Memorandum may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Offers of Securities Regulations issued by the Capital Market Authority of Saudi Arabia (the “**Capital Market Authority**”). The Capital Market Authority does not make any representations as to the accuracy or completeness of this Offering Memorandum, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Offering Memorandum. Prospective purchasers of the Bonds offered hereby should conduct their own due diligence on the accuracy of the information relating to the Bonds. If a prospective purchaser does not understand the contents of this Offering Memorandum, he or she should consult an authorized financial adviser. By accepting this Offering Memorandum and other information relating to the offering of the Bonds in the Kingdom of Saudi Arabia, each recipient represents that he or she is a “sophisticated investor,” as defined in the Saudi Offers of Securities Regulations.

NOTICE TO RESIDENTS OF THE UNITED KINGDOM

The issue and distribution of this Offering Memorandum is restricted by law. This Offering Memorandum is not being distributed by, nor has it been approved for the purposes of section 21 of the Financial Services and Markets Act 2000 by, a person authorized under the Financial Services and Markets Act 2000. This Offering Memorandum is for distribution only to persons who (i) have professional experience in matters relating to investments (being investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the “**Financial Promotion Order**”), (ii) are persons falling within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations, etc.”) of the Financial Promotion Order, (iii) are outside the United Kingdom or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or

sale of any Bonds may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “**relevant persons**”). This Offering Memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Offering Memorandum relates is available only to relevant persons and will be engaged in only with relevant persons. No part of this Offering Memorandum should be published, reproduced, distributed or otherwise made available in whole or in part to any other person without our prior written consent.

NOTICE TO CANADIAN INVESTORS

The Bonds may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Bonds must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Memorandum (including any amendment hereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for particulars of these rights or consult with a legal adviser.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (“**NI 33-105**”), the Initial Purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this Offering.

NOTICE TO CERTAIN EUROPEAN INVESTORS

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Initial Purchaser has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”), it has not made and will not make an offer of Bonds which are the subject of the offering contemplated by this Offering Memorandum to the public in that Relevant Member State other than:

- to any legal entity which is a “qualified investor” as defined in the Prospectus Directive;
- to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the Initial Purchasers nominated by us for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive; *provided that* no such offer of the Bonds shall require the publication by us or any Initial Purchaser of a prospectus pursuant to Article 3 of the Prospectus Directive or of a supplement to a prospectus pursuant to Article 16 of the Prospectus Directive other than in reliance on Article 3(2)(b).

For the purposes of this provision, the expression “offer of Bonds to the public” in relation to any Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Bonds, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, and the expression “**Prospectus Directive**” means Directive 2003/71/EC (and amendments thereto, including Directive 2010/73/EU, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State.

Each subscriber for or purchaser of the Bonds in the Offering located within a member state of the European Economic Area will be deemed to have represented, acknowledged and agreed that it is a “qualified investor” within the meaning of Article 2(1)(e) of the Prospectus Directive. We, the Initial Purchasers and each of our and their respective affiliates and others will rely upon the trust and accuracy of the foregoing representation, acknowledgment and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified any Initial Purchaser of such fact in writing may, with the consent of any Initial Purchaser, be permitted to subscribe for or purchase the Bonds in the Offering.

For further offering and selling restrictions, and limitations on eligible offerees, see “*Plan of Distribution—Selling Restrictions.*”

AVAILABLE INFORMATION

We are not subject to the periodic reporting and other informational requirements of the United States Securities Exchange Act of 1934, as amended (the “**Exchange Act**”). We have agreed, for so long as any of the Bonds remain outstanding, to provide the Bond Trustee (as defined herein) with the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act to permit compliance with Rule 144A in connection with resales of the Bonds.

As noted in “*Presentation of Financial and Other Information*” below, the financial statements of APP and its consolidated subsidiaries (the “**APP Group**”) are prepared in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia (“**Saudi GAAP**”). Saudi GAAP differs in significant respects from the International Financial Reporting Standards (as adopted by the International Accounting Standards Board) (“**IFRS**”). In making an investment decision, you must rely on your own examination of the terms of the Offering and the financial information contained in this Offering Memorandum. You should, however, consult your own professional advisers for an understanding of the differences between Saudi GAAP and IFRS and how those differences could affect the financial information contained in this Offering Memorandum. See “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Summary of Significant Differences Between Saudi GAAP and IFRS.*”

As of the date of this Offering Memorandum, NOMAC is a subsidiary of APP and its results of operations are reflected in the consolidated historical financial statements of the APP Group. After the transfer of NOMAC shares to NOMAC Holding Company, NOMAC’s results of operations will no longer be reflected in the consolidated financial statements of the APP Group. The Issuer will prepare its financial statements in U.S. dollars in accordance with IFRS. All future financial information relating to us, the APP Group and NOMAC which will be delivered to the holders of the Bonds (the “**Bondholders**”) under the Indenture will be prepared in accordance with those procedures.

Any information provided to you by us pursuant to Rule 144A is confidential. You may not reproduce or distribute this information, in whole or in part, and you may not disclose any of this information or use any of this information for any purpose other than considering an investment in the Bonds. You agree to the foregoing by accepting delivery of this Offering Memorandum.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial Information

Issuer

We are a company incorporated under the laws of DIFC and have no operating history. We have no material assets other than the Accounts and intercompany receivables and are dependent on cash flows from each of the Project Companies and NOMAC. Because we are a newly incorporated company without significant operations, we do not have any historical financial statements and we do not present any of our financial statements in this Offering Memorandum. Going forward, we will be preparing standalone financial statements in accordance with IFRS.

We have included in this Offering Memorandum the consolidated financial statements of the APP Group. APP directly or indirectly holds a minority stake in all Project Companies except Bowarege, which is a consolidated subsidiary of APP. For a description of consolidated financial statements of the APP Group included in this Offering Memorandum, see “—*APP Group*” immediately below.

We have also included in this Offering Memorandum certain financial information extracted from the financial statements of the Project Companies. For a description of such financial information included in this Offering Memorandum, see “—*Project Companies*” below.

APP Group

The financial statements of the APP Group included in this Offering Memorandum consist of the APP Group’s audited special-purpose consolidated financial statements as of and for the years ended December 31, 2014 (the

“2014 Special-Purpose Financial Statements”), December 31, 2015 (the “2015 Special-Purpose Financial Statements”) and December 31, 2016 (the “2016 Special-Purpose Financial Statements” and, together with the 2014 Special-Purpose Financial Statements and the 2015 Special-Purpose Financial Statements, the “Special-Purpose Financial Statements” or the “Financial Statements”) prepared for the purpose of inclusion in the Offering Memorandum, in accordance with Saudi GAAP and note 2 to the respective Special-Purpose Financial Statements.

APP was converted from a limited liability company to a joint stock company on December 9, 2014. As per regulations of the Ministry of Commerce and Industry of the Kingdom of Saudi Arabia, APP’s first financial reporting period (after it became a joint stock company) commenced on December 9, 2014 and ended on December 31, 2015. APP’s last financial reporting period as a limited liability company covered the period from January 1, 2014 to December 8, 2014. APP Group’s statutory financial statements were, therefore, prepared (i) as of December 8, 2014 and for the period from January 1, 2014 to December 8, 2014 and (ii) as of December 31, 2015 and for the period from December 9, 2014 to December 31, 2015. For the convenience of the reader and to provide a meaningful cross-period comparisons of results in “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*,” APP has prepared special-purpose financial statements as of and for the years ended December 31, 2014, 2015 and 2016 specifically for the purpose of being included in this Offering Memorandum. The audit reports in relation to each of the Special-Purpose Financial Statements include an emphasis of matter paragraph, each of which states that APP was converted from a limited liability company to a joint stock company on December 9, 2014 and that these special purpose consolidated financial statements were prepared for the financial year ended December 31, 2014, December 31, 2015 and December 31, 2016, respectively, without consideration of the change in legal status of APP.

APP directly or indirectly holds a minority stake in all Project Companies except Bowarege, which is a consolidated subsidiary of APP. See “*Summary—Pre-NOMAC Restructuring Summary Financing Chart*.” APP Group’s investments in the Project Companies other than Bowarege are accounted for using the equity method of accounting and recorded in the APP Group’s consolidated financial statements. The amount of dividends that APP receives from the Project Companies is proportional to the direct or indirect ownership stake that APP holds in such Project Companies. Shares in APP held by ACWA Power and its affiliates will be pledged, on the Issue Date, in favor of the Onshore Bond Security Agent for the benefit of the Bondholders. See “*Description of the Bonds—Bond Collateral*.” To the extent any Trust Certificates, which are permitted under the Indenture, are issued after the Issue Date, this collateral will secure the Bonds, Additional Bonds, if any, and the Trust Certificates on a *pro rata* basis based on the aggregate principal amount of the Bonds and Additional Bonds issued and outstanding and the face amount of the Trust Certificates issued and outstanding.

NOMAC

NOMAC is a consolidated subsidiary of APP and its results of operations are reflected in the Financial Statements. NOMAC’s results of operations reflected not only the operation and maintenance services provided by it, its two subsidiaries and one joint venture to the eight Projects (as defined herein) in the Kingdom of Saudi Arabia, but also operation and maintenance services provided by it, its subsidiaries and joint ventures to other projects of the ACWA Power Group (as defined herein) located in a number of countries outside of the Kingdom of Saudi Arabia. Dividends that have been approved by the shareholders and are payable from such operations outside of the Kingdom of Saudi Arabia, in relation to NOMAC only, will be assigned pursuant to a Saudi law assignment of dividends agreement to the Onshore Bond Security Agent (as defined herein) for the benefit of the Bondholders from the Issue Date until the transfer of ownership interests in operation and maintenance companies located outside of the Kingdom of Saudi Arabia from NOMAC to another subsidiary of NOMAC Holding Company is completed, but following that will not constitute a part of the Bond Collateral. If any Trust Certificates, which are permitted under the Indenture, are issued after the Issue Date, but before the transfer of ownership interests in operation and maintenance companies located outside of the Kingdom of Saudi Arabia from NOMAC to another subsidiary of NOMAC Holding Company is completed, this collateral will secure the Bonds, Additional Bonds, if any, and the Trust Certificates on a *pro rata* basis based on the aggregate principal amount of the Bonds and Additional Bonds issued and outstanding and the face amount of any Trust Certificates issued and outstanding.

As a result of the commencement of the NOMAC Restructuring that is described under “*NOMAC Restructuring*” in more detail, the balances and results of operations of NOMAC and its subsidiaries (the “**NOMAC Group**”) are classified as a disposal group in the 2016 Special-Purpose Financial Statements. Since operations of the NOMAC Group are treated as discontinued operations in the 2016 Special-Purpose Financial Statements, for the purposes of the year-on-year comparisons of the APP Group’s results of operations in 2014 and 2015, on the one hand, and in 2015 and 2016, on the other hand, we use two sets of APP Group special-purpose consolidated financial statements data as of and for the year ended December 31, 2015. The first one comes from the 2015 Special-Purpose Financial Statements and the second one comes from the 2016 Special-Purpose Financial Statements,

both of which are included elsewhere in this Offering Memorandum. To allow potential investors to make meaningful comparisons between the APP Group's results of operations in 2014 and 2015, we use data from the 2015 Special-Purpose Financial Statements, in which the results of operations of the NOMAC Group are not treated as discontinued operations of the APP Group, in the "Summary," "Selected Historical Financial and Other Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections of the Offering Memorandum. However, to allow potential investors to make meaningful comparisons between the APP Group's results of operations in 2015 and 2016, we use data from the 2016 Special-Purpose Financial Statements, in which the results of operations of the NOMAC Group are treated as discontinued operations of the APP Group, in the same sections of the Offering Memorandum.

For summary information relating to NOMAC's revenue, costs and other line items attributable to its operations in the Kingdom of Saudi Arabia (excluding the Shuaibah IWPP (as defined herein)), to the Shuaibah IWPP, to its operations outside of the Kingdom of Saudi Arabia and management's estimate of elimination and unallocated corporate items during the years ended December 31, 2015 and 2016, see "Selected Historical Financial and Other Information—Selected Consolidated Financial Information of NOMAC." The information has been derived from the Financial Statements and accounting records of the APP Group. Following the transfer of the subcontract to provide operation and maintenance services to the Shuaibah IWPP from NOMAC to a different newly created entity, which will be a subsidiary of NOMAC Holding Company, NOMAC will no longer receive any revenues from SWEC (as defined herein), the Project Company for the Shuaibah IWPP, for providing operation and maintenance services to the Shuaibah IWPP. Any dividends approved by the shareholders of the entity that will provide operation and maintenance services to the Shuaibah IWPP after the transfer of the subcontract from NOMAC to it will not be assigned as part of the Bond Collateral.

Following the transfer of shares of NOMAC to NOMAC Holding Company, NOMAC will no longer be a subsidiary of APP and will become a subsidiary of NOMAC Holding Company, which, in turn, will be wholly owned by ACWA Power. See "NOMAC Restructuring." NOMAC's results of operations will no longer be reflected in the future consolidated financial statements of the APP Group. Following the transfer of its shares to NOMAC Holding Company, NOMAC will prepare consolidated financial statements reflecting the results of operations in respect of services provided to SEPCO (as defined herein), JWAP (as defined herein), SQWEC (as defined herein), RABEC (as defined herein), HEPCO (as defined herein), RAWEC (as defined herein), Bowarege (as defined herein) and Al-Mourjan For Electricity Production Company ("MEPCO"), the project company for the Rabigh 2 independent power project (the "Rabigh 2 IPP") (but excluding SWEC, the Project Company for the Shuaibah IWPP). Operation and maintenance services to the Shuaibah IWPP will be provided by a different newly created entity, which will be a subsidiary of NOMAC Holding Company.

Project Companies

APP directly or indirectly holds a minority stake in all Project Companies except Bowarege, which is APP's consolidated subsidiary. See "Description of the Projects and NOMAC's Operations—Overview—Saudi Arabian Operations of the ACWA Power Group." The APP Group's investments in the Project Companies other than Bowarege are accounted for using the equity method of accounting.

To provide investors with better understanding of the operations of the Project Companies, we have included in the "Summary," "Selected Historical Financial and Other Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections of the Offering Memorandum certain financial data extracted from the audited financial statements of (i) Shuaibah Expansion Project Company ("SEPCO"), the project company for the Shuaibah expansion independent water project (the "Shuaibah Expansion IWP"), (ii) Shuaibah Water and Electricity Company ("SWEC"), the project company for the Shuaibah independent water and power project (the "Shuaibah IWPP"), (iii) Jubail Water and Power Company ("JWAP"), the project company for the Marafiq independent water and power project (the "Marafiq IWPP"), (iv) Shuqaiq Water and Electricity Company ("SQWEC"), the project company for the Shuqaiq independent water and power project (the "Shuqaiq IWPP"), (v) Rabigh Electricity Company ("RABEC"), the project company for the Rabigh independent power project (the "Rabigh IPP"), (vi) Hajr for Electricity Production Company ("HEPCO"), the project company for the Qurayyah independent power project (the "Qurayyah IPP"), (vii) International Barges Company for Water Desalination Limited ("Bowarege"), the project company for the Bowarege independent water project (the "Bowarege IWP") and (viii) Rabigh Arabian Water & Electricity Company ("RAWEC"), the project company for the RAWEC independent water, steam and power project (the "RAWEC IWSP"), in each case, as of and for the years ended December 31, 2014, 2015 and 2016, prepared in accordance with Saudi GAAP. See "—Project Companies" and "Risk Factors—Risks Related to the APP Group, Projects and NOMAC—The financial statements of the Project Companies and NOMAC are not included in this Offering Memorandum."

As used in this Offering Memorandum, “**Project Company**” means any of SEPCO, SWEC, JWAP, SQWEC, RABEC, HEPCO, Bowarege or RAWEC; “**Project**” means any of the Shuaibah Expansion IWP, the Shuaibah IWPP, the Marafiq IWPP, the Shuqaiq IWPP, the Rabigh IPP, the Qurayyah IPP, the Bowarege IWP or the RAWEC IWSPP; “**IPP**” means independent power project; “**IWP**” means independent water project and “**IWPP**” means independent water and power project.

The audit report in relation to the financial statements of HEPCO as of and for the year ended December 31, 2015 includes an emphasis of matter paragraph. It states that certain delays occurred at the Qurayyah IPP beyond the scheduled commercial operation date. On March 16, 2015, HEPCO notified completion of full Project commercial operations to the offtaker, which to the date of signing of financial statements was not accepted by the offtaker. HEPCO has since been in discussions with the offtaker regarding acceptance of Project’s commercial operation date. The financial statements of HEPCO as of and for the year ended December 31, 2015 were prepared on the basis that the declared Project’s commercial operation date will eventually be accepted by the offtaker. In 2015, HEPCO’s management performed an assessment to determine whether the non-acceptance of the Project’s commercial operation date and other issues set forth in note 1 to the financial statements (i.e., technical issues including damage to HEPCO’s plant and machinery due to a severe sand storm, which are described in more detail in “*Description of the Projects and NOMAC’s Operations—Description of Projects—Qurayyah IPP/HEPCO—Overview*”) result in any impairment of its property, plant and equipment and concluded that no impairment loss is required. Further, the delay in acceptance of declared Project’s commercial operations date has triggered certain provisions of the Qurayyah PPA (as defined herein), finance documents and other project documents of the Qurayyah IPP. It is HEPCO’s assessment, based on consideration of various factors, including the fact that there have been no events of default and, consequently, there have been no changes to the classification of long-term financing in the balance sheet. HEPCO’s position might be subject to the counterparties’ own assessments.

The audit report in relation to the financial statements of HEPCO as of and for the year ended December 31, 2016 includes an emphasis of matter paragraph. It states that certain delays occurred at the Qurayyah IPP beyond the scheduled commercial operation date. On March 16, 2015, HEPCO notified completion of full Project commercial operations to the offtaker, which was not accepted by the offtaker. HEPCO has since been in discussions with the offtaker and EPC contractor for negotiating commercial matters including acceptance of Project’s commercial operation date. Recently, consensus has been reached on an in-principle agreement on this matter, though a final agreement has not yet been executed, and the financial statements of HEPCO take into account the financial impacts of the terms of such in-principle agreement. The failure to achieve scheduled Project’s commercial operation date has triggered certain provisions of the Qurayyah PPA, finance documents and other project documents of the Qurayyah IPP. It is HEPCO’s assessment, based on consideration of various factors, that there have been no events of default and consequently there have been no changes to the classification of long-term financing in the balance sheet. HEPCO’s position might be subject to the counterparties’ own assessments. For a description of the dispute with the offtaker, see “*Description of the Projects and NOMAC’s Operations—Legal Proceedings and Disputes*” and “*Risk Factors—Risks Related to the APP Group, Projects and NOMAC—We, the APP Group and the Project Companies face the risk of material disputes and possible litigation.*”

Note 2 (Basis of Preparation) to the financial statements of Bowarege’s financial statements as of and for the year ended December 31, 2016 states that Bowarege currently relies on a single customer for sale of desalinated water through one of its shareholders. The original sale contract was extended until December 31, 2017. Bowarege expects the contract to be renewed for at least another two years in the latter part of 2017 as Bowarege is in active discussions with the customer. Accordingly, Bowarege’s financial statements as of and for the year ended December 31, 2016 have been prepared on a going concern basis.

Ernst & Young & Co (Public Accountants) (“**EY**”) audited, in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia, the financial statements as of and for the years ended December 31, 2014, 2015 and 2016 of all Project Companies, except for JWAP’s financial statements as of and for the years ended December 31, 2014 and 2015. KPMG Al Fozan & Partners audited JWAP’s financial statements as of and for the years ended December 31, 2014 and 2015.

The financial statements of the Project Companies are not included in this Offering Memorandum. See “*Risk Factors—Risks Related to the APP Group, Projects and NOMAC—The financial statements of the Project Companies and NOMAC are not included in this Offering Memorandum.*”

Other Financial and Other Information

In the sections “*Summary—Summary of Selected Financial Information and Operational KPIs—Other Financial Information for Project Companies*,” “*Summary of the Financial Model—Summary of Significant Base Case*

Assumptions from the Financial Model,” “Summary of the Financial Model—Sensitivity Cases,” “Description of the Bonds” and “Description of Certain Other Financing Arrangements of Project Companies,” we use the non-GAAP term “debt service coverage ratio” or “DSCR.”

When used in relation to the Project Companies, DSCR means, as appropriate and as the context requires, the debt service coverage ratios under the respective project finance arrangements of such Project Companies that determine whether a Project Company can pay dividends to shareholders. See *“Description of Certain Other Financing Arrangements of Project Companies.”*

When used in relation to the Issuer, DSCR means the debt service coverage ratio that we will be required to maintain under the Indenture in order to transfer funds to the Distribution Account (as defined in *“Description of the Bonds”*), as described under *“Description of the Bonds.”*

In this Offering Memorandum, unless otherwise specified, references to **“SAR”** and **“Saudi riyal”** are to the lawful currency of the Kingdom of Saudi Arabia and references to **“US\$”** and **“U.S. dollar”** are to the lawful currency of the United States of America. Some financial and shareholding information in this Offering Memorandum has been rounded and, as a result, the totals of the data presented in this Offering Memorandum may vary slightly from the actual arithmetic totals of such information.

U.S. Dollar Exchange Rate Convenience Translation

Certain SAR figures extracted or derived from the Financial Statements and the selected financial information relating to the Project Companies are also presented in U.S. dollars in certain sections of this Offering Memorandum. The conversion rate used to translate these figures into U.S. dollars is US\$1 = SAR 3.75, in accordance with the current fixed exchange rate policy of the Kingdom of Saudi Arabia under which the Saudi riyal has been pegged to the U.S. dollar at that rate since 1986.

We have provided these SAR figures converted to US\$ and the Saudi riyal-to-U.S. dollar peg for the convenience of potential investors. These U.S. dollar figures have not been subject to audit or review. The exchange rate used should not be construed as a representation that SAR could have been, or could be, converted into U.S. dollars at the pegged rate or at any other rate, or that the Saudi riyal will continue to be pegged to the U.S. dollar at any time after the date of this Offering Memorandum. See *“Risk Factors—Risks Related to the APP Group, Projects and NOMAC—The operations of the APP Group, the Project Companies and NOMAC could be adversely affected if the Saudi riyal/U.S. dollar peg were to be removed or adjusted or if the euro appreciates against the U.S. dollar and the Saudi riyal.”*

Operating Metrics

The Project Companies use certain key performance indicators related to the capacity to generate power and to produce desalinated water. Accordingly, the Project Companies measure such information, which is presented herein, based on standard internal definitions developed by the Project Companies’ technical teams, which may differ from the defined terms in the underlying contracts relating to the Projects.

This Offering Memorandum contains certain measures of operational data, including power technical availability, water technical availability, power forced outage rate, water forced outage rate, minimum power availability for triggering termination clauses and minimum water availability for triggering termination clauses. Such measures of operational data are not measurements of financial performance under Saudi GAAP or IFRS and should not be considered as alternatives to other indicators of operating performance, cash flows or any other measure of performance derived in accordance with Saudi GAAP or IFRS.

We believe that the presentation of power technical availability, water technical availability, power forced outage rate, water forced outage rate, minimum power availability for triggering termination clauses and minimum water availability for triggering termination clauses may be helpful as indicators of operational performance of the Project Companies. However, the methodology for determining power technical availability, water technical availability, power forced outage rate, water forced outage rate, minimum power availability for triggering termination clauses and minimum water availability for triggering termination clauses included in this Offering Memorandum may not be comparable to the methodology used by other companies in determining these or similar measures.

The definitions of the terms “power technical availability,” “water technical availability,” “forced outage,” “power forced outage rate,” “water forced outage rate,” “minimum power availability for triggering termination clauses” and “minimum water availability for triggering termination clauses” are as follows:

“Power technical availability” means the actual amount of electricity a plant is available to generate in a year divided by the amount of electricity that would have been generated had the plant run at full capacity for the entire duration of such year.

“Water technical availability” means the actual amount of water a plant is available to desalinate in a year divided by the amount of water that would have been desalinated had the plant run at full capacity for the entire duration of such year.

For a power plant, **“forced outage”** means a shutdown condition when the electricity generating unit is unavailable to generate electricity due to an unexpected or forced shutdown. Forced outage also includes scheduled outages when the outage period exceeds planned outage limits. For a water desalination plant, **“forced outage”** means a shutdown condition when the desalinated water producing unit is unavailable to produce desalinated water due to an unexpected or forced shutdown. Forced outage also includes scheduled outages when the outage period exceeds planned outage limits.

“Power forced outage rate” means the number of hours the unit of a power plant is in forced outage divided by the sum of (i) hours when the unit of a power plant is available for service, (ii) hours when the unit of a power plant is unavailable for service due to planned outages and (iii) hours when the unit of a power plant is in forced outage, multiplied by 100 and expressed as a percentage.

“Water forced outage rate” means the number of hours the unit of a water desalination plant is in forced outage divided by the sum of (i) hours when the unit of a water desalination plant is available for service, (ii) hours when the unit of a water desalination plant is unavailable for service due to planned outages and (iii) hours when the unit of a water desalination plant is in forced outage, multiplied by 100 and expressed as a percentage.

With respect to the Shuaibah IWPP, Shuqaiq IWPP, Rabigh IPP and Qurayyah IPP, the **“minimum power availability for triggering termination clause”** means the minimum average availability of the power plant expressed as a percentage of the net dependable power capacity of the plant (i.e., the net power capacity of the plant made available to the offtaker as measured at specified measurement levels during initial and periodic tests performed in accordance with the relevant PPA (as defined herein) or PWPA (as defined herein)) calculated for any rolling period of 730 days that the respective Project Company must maintain to avoid triggering the termination clause in the PWPA or PPA to which such Project Company is a party. With respect to the Marafiq IWPP, the **“minimum power availability for triggering termination clause”** means the minimum average availability of the power plant expressed as a percentage of the projected availability of the power plant calculated for any rolling period of 12 months that JWAP must maintain to avoid triggering the termination clause in the Marafiq PWPA (as defined herein). With respect to the RAWEC IWSPP, the **“minimum power availability for triggering termination clause”** means the minimum average availability of the plant expressed as a percentage of the contracted power capacity of the plant that RAWEC must maintain for more than 75% of the time in any 180-day period to avoid triggering the termination clause in the RAWEC WECA (as defined herein).

With respect to the Shuaibah Expansion IWP, Shuaibah IWPP and Shuqaiq IWPP, the **“minimum water availability for triggering termination clause”** means the minimum average availability of the water desalination plant expressed as a percentage of the net dependable water capacity of the plant (i.e., the net water capacity of the plant made available to the offtaker as measured at specified measurement levels during initial and periodic tests performed in accordance with the relevant WPA (as defined herein) or PWPA) calculated for any rolling period of 730 days that the respective Project Company must maintain to avoid triggering the termination clause in the PWPA or WPA to which such Project Company is a party. With respect to the Marafiq IWPP, the **“minimum water availability for triggering termination clause”** means the minimum average availability of the water desalination plant expressed as a percentage of the projected availability of the water desalination plant calculated for any rolling period of 12 months that JWAP must maintain to avoid triggering the termination clause in the Marafiq PWPA. With respect to the Bowarege IWP, the **“minimum water availability for triggering termination clause”** means the level of production of desalinated water expressed as a percentage of the contracted water output level (40,000 cubic meters per day) calculated on a monthly basis that Bowarege must maintain to avoid triggering the termination clause in the Project Performance Agreement (as defined herein). With respect to the RAWEC IWSPP, the **“minimum water availability for triggering termination clause”** means the minimum average availability of the water desalination plant expressed as a percentage of the contracted water capacity of the plant that RAWEC must maintain for more than 75% of the time in any 180-day period to avoid triggering the termination clause in the RAWEC WECA.

References to “tons” in this Offering Memorandum are to metric tons.

Presentation of Summary of the Financial Model

For the purposes of this Offering, we have prepared the Financial Model (as defined herein) which is summarized under *“Summary of the Financial Model.”* The underlying Financial Model is not included in this Offering Memorandum.

The Financial Model is based on a number of assumptions, including, without limitation, with respect to (i) macroeconomic factors, (ii) revenue, costs and expenses for each Project Company, (iii) payments with respect to the outstanding debt related to each Project, (iv) operation and maintenance fees to be received by NOMAC, two of its subsidiaries and one joint venture for their operation and maintenance services to be provided to seven Projects and the Rabigh 2 IPP and their operating expenses, (v) net distributions from each Project Company and from NOMAC (taking into account the prepayment in full of certain existing loan facilities as set forth in “*Use of Proceeds*,” including, in particular, the full prepayment of APP’s portion of the loans from National Commercial Bank (“**NCB**”) and Mizuho Bank, Ltd. (“**Mizuho**”) to NOVA SGA Marafiq Holdings Limited (“**NOVA**”) and assuming that NOVA will provide an irrevocable payment undertaking requiring it to pay to the Collection Account all dividends to be paid to ACWA Power Global Services LLP (“**APGS**”) by NOVA and APGS’s 33.33% share of all affiliate loan repayments received by NOVA from SGA Marafiq Holding W.L.L. To the extent any Trust Certificates, which are permitted under the Indenture, are issued after the Issue Date, this irrevocable payment undertaking will be replaced with irrevocable payment undertakings directing that such payments will be paid to the Collection Account and the collection account in relation to the Trust Certificates on a *pro rata* basis based on the aggregate principal amount of the Bonds and Additional Bonds issued and outstanding and the face amount of any Trust Certificates issued and outstanding. See “*Description of Certain other Financing Arrangements of Project Companies—Equity Bridge Loans—Loans to SGA Marafiq Holdings*”), (vi) taxation, (vii) no legal proceedings or material disputes, (viii) our costs and expenses, (ix) inflation, (x) interest rates, (xi) working capital adjustments and (xii) other cash flows securing our obligations under the Bonds.

Neither the Financial Model nor any information derived from the Financial Model and included in this Offering Memorandum constitutes projections, profit forecasts or predictions of future results. The Financial Model simply illustrates hypothetical results that are mathematically derived from specified assumptions. The Financial Model was developed by the APP Group as a financial forecasting and evaluation tool and not as an operational model. Consequently, the Financial Model does not allow comparisons of actual results against forecasts and does not include an ongoing budget comparison. See “*Disclosure Regarding Forward-Looking Statements*.”

Information derived from the Financial Model and included in this Offering Memorandum should not be regarded as a representation by us, any member of the ACWA Power Group, any Initial Purchaser or any other person that the hypothetical results set forth in the Financial Model will actually be achieved. Actual capacity, availability, dispatch and production levels, heat-rate, the Project Companies’ and NOMAC’s operating, maintenance and capital costs, as well as interest and inflation rates, will differ from those used in the Financial Model. Accordingly, the actual performance and cash flows of the Project Companies and NOMAC and, consequently, the Issuer, for any given future period will differ significantly from those set forth in the Financial Model and summarized herein. Prospective purchasers are cautioned not to place undue reliance on any information derived from the Financial Model and should make their own independent assessment of our future results of operations, cash flows and financial condition and those of the Project Companies and NOMAC. See “*Risk Factors—Risks Related to the APP Group, Projects and NOMAC—The Project Companies’, NOMAC’s and the APP Group’s financial results will differ from, and could be worse than, the results forecasted to be achieved by these entities in the Financial Model*.”

EY has neither examined, compiled nor performed any procedures with respect to the prospective financial information contained in this Offering Memorandum, including the information derived from the Financial Model and, accordingly, EY does not express an opinion or any other form of assurance on such or on the achievability of the Financial Model. EY assumes no responsibility for and denies any association with any prospective financial information and any other information derived therefrom included elsewhere in this Offering Memorandum.

An internationally recognized advisory firm has been engaged by ACWA Power to review the Financial Model. The review report prepared by such advisory firm is not included in this Offering Memorandum.

ACWA Power intends to sell an 8% effective ownership stake in SQWEC. It has entered into an agreement with the Arab Petroleum Investments Corporation (“**Apicorp**”), under which Apicorp agreed to acquire 13.3% of the shares of Shuqaiq International Water and Electricity Company. The 13.3% stake in Shuqaiq International Water and Electricity Company gives Apicorp an 8% effective ownership stake in SQWEC. The closing of this transaction is subject to customary approvals and is expected to occur in the second quarter of 2017. The Financial Model assumes a 32% ownership stake of ACWA Power in SQWEC (rather than ACWA Power’s actual 40% legal ownership share in SQWEC as of the date of this Offering Memorandum). ACWA Power also intends to sell up to a 3% effective ownership stake in RABEC in the near future. While there is currently no definitive agreement for the sale of such effective ownership stake in RABEC, the Financial Model assumes a 37% ownership stake of ACWA Power in RABEC (rather than ACWA Power’s actual 40% legal ownership share in RABEC as of the date of this Offering Memorandum).

All figures in the “*Summary of the Financial Model*” section are presented on an annual basis and/or as of December 31 of the relevant year, as specified. The Financial Model has been prepared in U.S. dollars using an exchange rate of SAR 3.75 = US\$1.00 as described under “*Presentation of Financial and Other Information*.” See “*Risk Factors—Risks Related to the APP Group, Projects and NOMAC—The operations of the APP Group, Project Companies and NOMAC could be adversely affected if the Saudi riyal/U.S. dollar peg were to be removed or adjusted or if the euro appreciates against the U.S. dollar and the Saudi riyal.*” Regarding inflation indices, the Financial Model assumes that the Consumer Price Index published by the Bureau of Labor Statistics of the U.S. Department of Labor will be 2% for the United States, and the inflation rate index published by the Saudi Arabian Monetary Agency will be 3% for the Kingdom of Saudi Arabia, for each year from 2017 through 2039.

Information Regarding the Saudi Arabian Electricity Generation and Desalinated Water Production Markets and Industry

Some of the market and industry data appearing in this Offering Memorandum in the “*Industry*” section has been obtained from: reports from Business Monitor International (“**BMI**”), the Electricity and Cogeneration Regulatory Authority (“**ECRA**”), dated 2012, 2013, 2014 and 2015, the *World Factbook*, the World Bank, the Saudi Arabian Monetary Agency (“**SAMA**”), the General Authority for Statistics (“**GASTAT**”), Saudi Electricity Company (“**SEC**”) and Saline Water Conversion Corporation (“**SWCC**”). We have not independently verified any official statistics or other data published by Saudi Arabian and other authorities and, therefore, such data is subject to uncertainties due to questions regarding the completeness or reliability of such information, which was not prepared in connection with the preparation of this Offering Memorandum. In the case of the presented statistical information, similar statistics may be obtainable from other sources, although the underlying assumptions and methodology, and consequently the resulting data, may vary from source to source. None of us, the ACWA Power Group or the Initial Purchasers or any of our or their respective management, employees, directors, partners, affiliates, advisers or agents have made any independent verification of such statistics or information in connection with this Offering, nor can any such person provide any assurance as to the factual correctness of any such statistics or information.

In addition, investors and prospective investors should be aware that data in this Offering Memorandum and estimates based on that data may be unreliable indicators of future results. Where information contained in this Offering Memorandum has been obtained from external sources, it has been accurately reproduced and, so far as we are aware and are able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading. All such data presented herein are subject to change and involve risks and uncertainties, including those discussed in “*Risk Factors*.”

Presentation of Power Generation Data

In this Offering Memorandum, (i) references to “**MW**” are to megawatts of electrical power, (ii) references to “**GW**” are to gigawatts of electrical power and (iii) references to “**heat rate**” refer to the measure of thermal efficiency of a power plant in the conversion of fuel into electricity.

ENFORCEMENT OF CIVIL LIABILITIES

We are incorporated under the laws of the DIFC. All of our directors are non-residents of the United States. All or a substantial portion of the assets of such non-resident persons, and of our assets, are located outside of the United States. Our only assets located in the DIFC are our bank accounts. The other security providers are incorporated under the laws of the Kingdom of Saudi Arabia. Substantially all of the underlying assets that secure our obligations under the Bonds are located in the Kingdom of Saudi Arabia or constitute rights under agreements governed by the laws of the Kingdom of Saudi Arabia. See “*Description of the Bonds—Collateral*.”

As a result, it may not be possible to (i) effect service of process upon us, or any of our directors, outside of the DIFC or upon such collateral providers, or any of their respective officers and directors, outside of the Kingdom of Saudi Arabia, the Kingdom of Bahrain or the British Virgin Islands, as applicable, (ii) enforce judgments against us and against such collateral providers obtained in courts of jurisdictions other than DIFC, the Kingdom of Saudi Arabia, the Kingdom of Bahrain or the British Virgin Island, as applicable, that are predicated upon the laws of such other jurisdictions or (iii) enforce against us and against such collateral providers judgments obtained in jurisdictions other than DIFC, the Kingdom of Saudi Arabia, the Kingdom of Bahrain or the British Virgin Islands, including judgments obtained in the courts of the United States or England and Wales. See “*Risk Factors—Risks Related to DIFC and Saudi Arabian Law*.”

The Bonds and the Indenture, which are described in “*Description of the Bonds*,” are governed by the laws of the State of New York. Any disputes in relation to the Bonds and the Indenture will be referred to and resolved by

arbitration in London in accordance with the arbitration rules of the London Court of International Arbitration (the “**LCIA Rules**”) or, if the Bond Trustee is so directed by holders of at least 25% of the principal amount of outstanding Bonds, acting in accordance with the Indenture, the courts of England and Wales or Federal and State courts located in the Borough of Manhattan, City of New York.

The security agreements are governed by the laws of the DIFC, the Kingdom of Saudi Arabia and England and Wales. See “*Description of the Bonds—Collateral.*” Any disputes in relation to the Bond Security Documents (as defined in “*Description of the Bonds*”) shall be referred to and resolved by arbitration in accordance with the LCIA Rules. Alternatively, the Security Agent may, at its sole discretion, by notice in writing to the relevant assignor and subject to certain conditions, require that the dispute be heard by a court. In the case of the English law and DIFC Law Bond Security Documents this will be the English or DIFC courts, and in the case of Bond Security Documents governed by the laws of the Kingdom of Saudi Arabia, this will be the courts of Saudi Arabia, or in either case any other court with jurisdiction. This is for the benefit of the Security Agent only and the Security Agent may take proceedings relating to a dispute in any other courts with jurisdiction.

DIFC

The Judicial Authority Law provides, in Article 7(6), that the judgments, decisions, orders and ratified arbitral awards rendered outside the DIFC by any court other than the Dubai courts shall be executed within the DIFC in accordance with the procedure prescribed in the Rules of the DIFC courts.

Furthermore, Article 24 of the Court Law provides, by reference to the Judicial Authority Law, that any judgments or orders of any recognized courts outside the DIFC, including foreign courts, may be ratified by the DIFC courts for the purposes of any subsequent application for enforcement in the courts of Dubai.

Based on the above, the DIFC courts have jurisdiction to ratify judgments of the courts of England and Wales and New York. In addition, where the UAE is party to a treaty for the mutual enforcement of judgments, Article 24 of the Court Law requires the DIFC courts to comply with the terms of any such treaty. Judgments of the courts of Saudi Arabia, for example, may therefore also be ratified and enforced in the DIFC courts.

In addition, pursuant to Article 42(1) of the Court Law, judgments issued or ratified by the DIFC courts may be enforced within the DIFC in the manner prescribed in the rules of the DIFC courts and, pursuant to Article 42(2) of the Court Law, outside the DIFC in accordance with the Judicial Authority Law.

Federal Decree No (41) of 1996 in respect of the GCC Convention for the Execution of Judgments, Delegations and Judicial Notification (the “**GCC Convention**”) authorizes the execution in the UAE of judgments issued by courts of other Gulf Cooperation Council (“**GCC**”) member states. Article (3) of the GCC Convention states:

- (i) *“A judgment issued by the courts of a member state may be executed in any of the states if such judgment may be executed in the state where the court that issued the judgment is located.*
- (ii) *The procedures of executing a judgment shall be governed by the law of the state where the judgment is required to be executed, unless this agreement provides otherwise.”*

Consequently, the Initial Purchasers, the Offshore Bond Security Agent or the Bond Trustee would be entitled to submit a request to the competent courts of any GCC member state to execute a judgment. Such a request would require court confirmation ensuring compliance with the requirements of the GCC Convention. Pursuant to Article (7) of the GCC Convention, the court shall not review the subject matter of the judgment:

“The duty of the judicial authority in the state where enforcement is requested shall be limited to verification whether the judgment has met conditions stipulated under this Convention without examining subject matter. Such authority shall give orders for adopting necessary measures to give a judgment executive effect as if it were issued by the state itself. The enforcement order may focus on the wording of judgment in whole or in part if it is divisible.”

Upon court confirmation, the Initial Purchasers, the Offshore Bond Security Agent or the Bond Trustee may pursue satisfaction of the judgment against the Issuer’s assets within the DIFC.

Kingdom of Saudi Arabia

Enforcement of foreign court judgments and arbitral awards in the Kingdom of Saudi Arabia is regulated by a relatively new and untested law, the Enforcement Law, enacted pursuant to Royal Decree No. M/53 dated July 3, 2012 (the “**Enforcement Law**”). The Enforcement Law provides for enforcement of foreign court judgments and

arbitral awards in the Kingdom of Saudi Arabia only on the basis of reciprocity. As of the date of this Offering Memorandum, the Kingdom of Saudi Arabia does not have an agreement on reciprocal enforcement of court judgments with the United States or the United Kingdom.

Each of the Kingdom of Saudi Arabia, the United Kingdom and the United States is a party to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the “**New York Convention**”) and, accordingly, a foreign arbitral award should generally be recognized and enforceable in the Kingdom of Saudi Arabia under the New York Convention, provided the conditions to enforcement set out in the New York Convention and the rules of the Enforcement Law are met.

The Enforcement Law provides that a foreign judgment or arbitral award may only be enforced in the Kingdom of Saudi Arabia provided that: (i) the Saudi Arabian courts do not have jurisdiction over the subject-matter of the judgment or arbitral award and that the foreign judgment or arbitral award was issued by a competent authority having jurisdiction under applicable law; (ii) the parties to the case in respect of which the judgment or arbitral award was issued were given due notice, were properly represented and were permitted to present their own defense; (iii) the judgment or arbitral award has become final in accordance with the law of the court or tribunal that passed it; (iv) the judgment or arbitral award is in no way inconsistent with any judgment or order previously issued by the Saudi Arabian courts; and (v) the judgment or arbitral award does not provide for anything which constitutes a breach of Saudi Arabian public order or ethics, including Islamic law. For example, Islamic law does not allow for payment of interest, so a judgment or arbitral award referring to payment of interest would not be enforceable in the Kingdom of Saudi Arabia. As a result, it may be difficult to obtain recognition or enforcement in the Kingdom of Saudi Arabia of a foreign court judgment or arbitral award in respect of interest payments under the Bonds. See “*Risk Factors—Risks Related to DIFC and Saudi Arabian Law—Foreign judgments and arbitral awards may not be enforceable under the laws of the Kingdom of Saudi Arabia.*”

Kingdom of Bahrain

Enforcement of Judgments

Any final and conclusive judgment obtained in the English courts would be recognized and enforced by the courts in the Kingdom of Bahrain provided that the English courts recognize and enforce the judgments rendered by the courts of the Kingdom of Bahrain. However, at present there is no reciprocity between England and the Kingdom of Bahrain. In order to enforce an English court judgment in the courts of the Kingdom of Bahrain, the judgment creditor must file a fresh case in which the courts of the Kingdom of Bahrain may accept the English court judgment as evidence of the debt. The English court judgment will have to be consularized and translated into Arabic before being accepted as evidence in the Bahrain courts. In any case, the courts of the Kingdom of Bahrain will not recognize the English court judgment if it is against the public policy of the Kingdom of Bahrain.

Any final and conclusive judgment obtained in courts of the DIFC will be recognized and enforced by the courts in the Kingdom of Bahrain pursuant to Legislative Decree No. 9 of 1996 ratifying the GCC Convention and in accordance with the GCC Convention provisions.

Enforcement of Arbitral Awards

An arbitration award obtained in London against NOMAC in accordance with the LCIA Rules will be recognized and enforced by the courts in the Kingdom of Bahrain pursuant to, and in accordance with, the New York Convention, Legislative Decree No. 4 of 1988 and Law No. 9 of 2015. The party seeking to enforce the arbitration award must supply the duly authenticated original award or a duly certified copy thereof and the original or a duly certified copy of the arbitration agreement.

The enforcement of an arbitration award obtained against NOMAC in England can be refused at the request of NOMAC, if NOMAC furnishes to the Bahraini court where the recognition and enforcement is sought proof that:

- (a) the party to the agreement was, under the law applicable to it, under some incapacity, or the agreement is not valid under the governing law of the agreement or failing any indication as to governing law, under the law of the country where the award was made; or
- (b) NOMAC was not given proper notice of the appointment of the arbitrator or of the arbitration proceedings or was otherwise unable to present his case; or
- (c) the award deals with a difference not contemplated by, or not falling within the terms of the submission to, arbitration, or it contains decisions on matters beyond the scope of the submission to arbitration, provided that, if the decisions on matters submitted to arbitration can be separated from those not so submitted, that part of the award which contains decisions on matters submitted to arbitration may be recognized and enforced; or

- (d) the composition of the arbitral authority or the arbitral procedure was not in accordance with the agreement of the parties, or failing such agreement, was not in accordance with the law of the country where the arbitration took place; or
- (e) the award has not yet become binding on the parties, or has been set aside or suspended by a competent authority of the country in which, or under the laws of which, the award was made; or
- (f) the subject matter of the dispute is not capable of settlement by arbitration under the laws of Bahrain; or
- (g) the recognition or enforcement of the award would be contrary to the public policy of Bahrain.

British Virgin Islands

The direct enforcement in the British Virgin Islands of a money judgment (not being in respect of multiple damages, or a fine, penalty, tax or other charge of similar nature) awarded in a foreign court is principally governed by the Reciprocal Enforcement of Judgments Act 1922 (Cap 65), which permits the registration of such a judgment in the British Virgin Islands High Court provided it (a) is a money judgment; and (b) originates from a prescribed jurisdiction (which includes England and Wales, but does not include the DIFC, the Kingdom of Saudi Arabia nor any state or territory of the United States) and it is “just and convenient” to do so. An application for registration of such judgment or award in the British Virgin Islands must be made within 12 months from the date of the judgment or award (although this time line may be extended). Upon registration, a judgment will be enforceable as a BVI judgment. A foreign judgment however must be refused registration if: (i) the foreign court acted without jurisdiction; (ii) the judgment debtor, being a person who was neither carrying on business nor ordinarily resident in the foreign jurisdiction, did not voluntarily submit or agree to submit to the jurisdiction of that court; (iii) the judgment debtor was not duly served with the foreign proceedings and did not appear (regardless of whether he carried on business or ordinarily resided in the foreign jurisdiction, or voluntarily submitted to the jurisdiction of that court); (iv) the judgment was obtained by fraud; (v) an appeal against the judgment is pending, or the debtor is entitled to and intends to lodge an appeal; or (vi) the judgment was in respect of a cause of action which, for reasons of public policy, would not have been entertained in this jurisdiction. A money judgment awarded in a foreign court in a non-prescribed jurisdiction (such as the DIFC, the United States or the Kingdom of Saudi Arabia) may be enforced in the British Virgin Islands, but would need to satisfy common law requirements for the enforcement of foreign judgments. Such a judgment would not be directly enforceable in the manner described above in the case of a judgment originating from a prescribed jurisdiction (such as the United Kingdom). In particular, in order for a judgment to be enforced in the British Virgin Islands under common law principles, the necessary criteria are: (i) the judgment must be of a court of competent jurisdiction, final and conclusive and made on the merits of the case; (ii) the parties to the original judgment (or their privies) must be the same as those in the British Virgin Islands action; and (iii) the issue in the British Virgin Islands action must be the same as the issue decided by the court in the earlier action.

There are several ways in which an arbitration award obtained in London under the LCIA Rules (the “**Forum**”) may be enforced in the British Virgin Islands. The principal method is under the Arbitration Act, 2013 of the British Virgin Islands, whereby any final and conclusive monetary award obtained against a party in arbitration proceedings in the Forum for a definite sum may, with the leave of the High Court in the British Virgin Islands, be enforced in the same manner as a judgment of the British Virgin Islands court under the procedure set out in the New York Convention. The BVI High Court may only exercise its discretion to refuse leave if:

- (a) a party to the arbitration agreement was, under the law applicable to him, under some incapacity;
- (b) the arbitration agreement was not valid under the governing law of the arbitration agreement;
- (c) the assignor was not given proper notice of the appointment of the arbitrator or of the arbitration proceedings, or was otherwise unable to present its case;
- (d) the award deals with an issue not contemplated by, or not falling within the terms of the submission to, arbitration, or contains matters beyond the scope of the arbitration, subject to the proviso that an award which contains decisions on such matters may be enforced to the extent that it contains decisions on matters submitted to arbitration which can be separated from those matters not so submitted;
- (e) the composition of the arbitral authority was not in accordance with the agreement of the parties or, failing such agreement, with the law of the Forum;
- (f) the award has not yet become binding upon the parties, or has been set aside or suspended by a competent authority, either in the Forum, or pursuant to the law of the arbitration agreement;

- (g) the subject matter of the award was not capable of resolution by arbitration; or
 - (h) enforcement would be contrary to public policy.
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DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This Offering Memorandum includes forward-looking statements, including, but not limited to, in the section “*Summary of the Financial Model.*” These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes,” “estimates,” “anticipates,” “expects,” “intends,” “may,” “will” or “should” or, in each case, their negative, or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts and appear in a number of places throughout this Offering Memorandum. Such forward-looking statements include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, cash flows, liquidity, financial projections and prospects and those of the APP Group, the NOMAC Group and the Project Companies, as well as the electricity generation and desalinated water production industry in the Kingdom of Saudi Arabia. Although we believe these statements are based on reasonable current assumptions, they are subject to numerous factors, risks and uncertainties that could cause actual outcomes and results to materially differ from those projected. It is also possible that any or all of the events described in forward-looking statements may not occur.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We caution each potential purchaser of the Bonds that forward-looking statements are not guarantees of future performance and that our actual financial condition, results of operations and/or prospects and those of the APP Group, the NOMAC Group and the Project Companies, as well as the development of the electricity generation and desalinated water production industry in the Kingdom of Saudi Arabia may differ materially from those made in or suggested by the forward-looking statements contained in this Offering Memorandum. In addition, even if our financial condition, results of operations and/or prospects and those of the APP Group, the NOMAC Group and the Project Companies and the development of the electricity generation and desalinated water production industry in the Kingdom of Saudi Arabia as described herein are consistent with the forward-looking statements contained in this Offering Memorandum, those results or developments may not be indicative of results or developments in subsequent periods.

In addition to the above-mentioned important factors and matters discussed elsewhere in this Offering Memorandum, important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include:

- the expected levels of available capacity to generate electricity or produce desalinated water;
- financial difficulties of offtakers or termination of offtake agreements;
- critical equipment failure at any of the Projects;
- inability to achieve the results forecasted in the Financial Model;
- IT (as defined herein) infrastructure failure;
- miscalculations or escalation of the operation and maintenance costs of Projects;
- reliance on third-party suppliers for the supply of certain chemicals, industrial gases and spare parts;
- inability to comply with contractual obligations, operational requirements and applicable regulations;
- restrictions on the ability of the Project Companies to pay dividends;
- liabilities resulting from violations of environmental and safety standards;
- future financial leverage of the Project Companies;
- changes in technology;
- interest rate volatility or foreign exchange risks;
- material disputes and potential litigation;
- ability to recruit foreign employees or retain key employees;
- inability to obtain or maintain sufficient insurance coverage;
- exposure to *force majeure* events;
- failure to complete the NOMAC Obligations under the conditions and in the time periods set forth in the Indenture;
- delays in completion for Projects under construction;

- insolvency or financial difficulties of EPC (as defined herein) contractors;
- economic and political conditions in the Middle East and the Kingdom of Saudi Arabia;
- dependence of the Kingdom of Saudi Arabia and the Saudi Arabian government's budget upon revenues from oil;
- terrorist attacks and other disturbances;
- development of the legal system in the Kingdom of Saudi Arabia;
- unenforceability of certain unilateral promises or covenants in the Kingdom of Saudi Arabia;
- refusal of a court or judicial committee in the Kingdom of Saudi Arabia to enforce provisions in the Indenture;
- unenforceability of early repayment of amounts due under the Bonds in the Kingdom of Saudi Arabia;
- certain tax risks;
- limitations on enforceability of security interests in the Kingdom of Saudi Arabia;
- changes to any assumptions used to prepare the Financial Model; and
- other factors discussed under "*Risk Factors*."

This list is not exhaustive and we urge each potential purchaser of the Bonds to read this Offering Memorandum. There are other factors that may cause our actual results to differ materially from the forward-looking statements contained in this Offering Memorandum. Moreover, new risk factors emerge from time to time and it is not possible for us to predict all such risk factors. We cannot assess the impact of all risk factors on the business of the Issuer, the APP Group, the NOMAC Group and the Project Companies or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, you should not place undue reliance on forward-looking statements as a prediction of actual results. We urge you to read the sections of this Offering Memorandum entitled "*Risk Factors*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," "*Industry*," "*Description of the Projects and NOMAC's Operations*" and "*NOMAC Restructuring*" for a more complete discussion of the factors that could affect our future performance and the industry in which the Project Companies and NOMAC operate.

Any forward-looking statement herein speaks only as of the date on which it is made, and is based on plans, estimates and projections as they are currently available to the ACWA Power Group's management. Except as required by law, we undertake no obligation to publicly update or publicly revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Offering Memorandum.

SUMMARY

This summary highlights selected information appearing elsewhere in this Offering Memorandum and accordingly does not contain all of the information that is important to you or that you should consider in making an investment decision and is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial statements, including the notes thereto, appearing elsewhere in this Offering Memorandum. You should read this Offering Memorandum in its entirety, including the sections entitled “Presentation of Financial and Other Information,” “Risk Factors,” “Selected Historical Financial and Other Information,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Description of the Projects and NOMAC’s Operations,” “Summary of the Financial Model” and “NOMAC Restructuring” as well as the Financial Statements and the notes to those statements beginning on page F-1 of this Offering Memorandum.

In addition, this section contains certain projections and forward-looking statements. Such projections and other forward-looking statements, including certain information derived from the Financial Model, are not guarantees of future performance and actual results of the APP Group, NOMAC and the Project Companies could differ materially from the projections and forward-looking statements in this section, including information derived from the Financial Model. Numerous factors could cause or contribute to such differences. See “Disclosure Regarding Forward-Looking Statements,” “Presentation of Financial and Other Information—Presentation of Summary of the Financial Model” and “Risk Factors—Risks Related to the APP Group, Projects and NOMAC—The Project Companies’, NOMAC’s and the APP Group’s financial results will differ from, and could be worse than, the results forecasted to be achieved by these entities in the Financial Model.”

Overview

ACWA Power Group

ACWA Power is a leading private developer of, investor in and operator of a portfolio of power generation and water desalination plants – both within the Kingdom of Saudi Arabia and regionally in the Middle East, Turkey, South Africa and South-East Asia. The ACWA Power Group was created in response to new opportunities that emerged in the Saudi Arabian electricity and desalinated water markets following the historic decision of the Saudi Arabian government, taken in 2002, to progressively open up the electricity generation and desalinated water production markets to private sector companies. Recognizing the significance of this unique opportunity, Abunayyan Trading Company and Abdulkadir Al Muhaidib and Sons Company (which together established ACWA Holding in 2002) and MADA Group created APP in 2004. APP then successfully bid for the Shuaibah IWPP and RAWEC IWSPP in 2005 and for the Shuqaiq IWPP and Marafiq IWPP in 2006. In 2008, ACWA Holding and MADA Group established ACWA Power to acquire APP and, in terms of strategy, to expand the ACWA Power Group’s operations to markets outside of the Kingdom of Saudi Arabia. Since 2008, ACWA Power has been the holding company for the ACWA Power Group. In 2013, Sanabil Direct Investment Company, a wholly owned subsidiary of the PIF (the sovereign wealth fund of the Kingdom of Saudi Arabia), and the Public Pension Agency of the Kingdom of Saudi Arabia became shareholders of ACWA Power. In 2014, the IFC, a member of the World Bank Group, became a shareholder of ACWA Power with a 5% ownership interest.

The principal business of the ACWA Power Group is to participate in power generation and/or water desalination projects. In these projects, the relevant project company typically enters into a long-term offtake contract with creditworthy (usually government-related) purchasers to sell the project’s electricity generation capacity and/or desalinated water production capacity at a pre-agreed tariff as well as to sell electricity generated and/or desalinated water produced at the relevant project. The offtakers include investment-grade sovereign and quasi-sovereign entities, as well as resource/commodity-based industrial companies that require significant quantities of utility services and are usually capable of supplying their own fuel resources to the projects (for example, captive power plants for oil and gas companies). The ACWA Power Group co-invests in all of its projects with a view to maintaining sufficient technical and operational control over the performance of these projects. Typically, the ACWA Power Group does not operate third-party assets or own assets operated by third parties.

The ACWA Power Group’s market strategy seeks to sustainably grow its power and desalinated water contracted capacities by focusing on sovereign and industrial offtake markets in the Kingdom of Saudi Arabia and certain other growing economies through the expansion of its existing facilities, the development of greenfield projects and the acquisition of ownership interests in companies operating existing plants.

As of January 1, 2017, ACWA Power had a portfolio of 35 power and/or desalinated water projects (counting the RAWEC Phase I Facilities and RAWEC Phase II Facilities as one project) that are either in operation, under construction or in advanced development in 12 countries, with a mix of renewable and conventional fuel projects. The ACWA Power Group's worldwide portfolio of plants in operation or development represented over 23 GW of electricity generation capacity and 2.5 million cubic meters per day of desalinated water production capacity as of January 2017. ACWA Power Group operates many of its projects through First National Operations & Maintenance Company Limited ("**NOMAC**"), an indirect wholly owned subsidiary of ACWA Power established in 2005, with several other projects operated through NOMAC's subsidiaries or joint ventures. NOMAC will be reorganized into a joint stock company and its international operations will be separated from its operations in the Kingdom of Saudi Arabia. See "*NOMAC Restructuring*."

Saudi Arabian Operations of the ACWA Power Group

This section summarizes the operations of the ACWA Power Group in the Kingdom of Saudi Arabia which it carries out through the eight Project Companies and NOMAC. Cash flows consisting of dividends and certain fees payable within the ACWA Power Group in respect of the Projects will be used by us to make payments on the Bonds.

As of the date of this Offering Memorandum, the ACWA Power Group has invested in eight Projects in the Kingdom of Saudi Arabia that have an aggregate contracted capacity of 10.1 GW of power (2.5 GW on a net effective ownership basis) and 2.3 million cubic meters per day of desalinated water (657,000 cubic meters per day on a net effective ownership basis).

The following table sets forth certain selected information about these eight Projects.

PROJECT	ACTUAL COSTS	ESTIMATED COSTS	ACWA POWER'S LEGAL OWNERSHIP SHARE	CONTRACTED POWER	CONTRACTED WATER	CONTRACT TYPE	STATUS	PROJECT'S COMMERCIAL OPERATION DATE (ACTUAL OR EXPECTED)
			(in %)					
		(in US\$ millions)	(in US\$ millions)	(in MW)	(in thousands of cubic meters per day)			
Shuaibah Expansion IWP ⁽¹⁾	233	n/a	30.75 ⁽²⁾	n/a	150	WPA / BOO ⁽³⁾ / 20 years	Operational	Q4 2009
Shuaibah IWPP ⁽⁴⁾	2,450	n/a	30	900	880	PWPA / BOO ⁽³⁾ / 20 years	Operational	Q1 2010
Marafiq IWPP ⁽⁵⁾	3,359	n/a	20	2,744	800	PWPA / BOOT ⁽⁶⁾ / 20 years	Operational	Q4 2010
Shuqaiq IWPP ⁽⁷⁾	1,831	n/a	40 ⁽⁸⁾	850	212	PWPA / BOO ⁽³⁾ / 20 years	Operational	Q2 2011
Rabigh IPP ⁽⁹⁾	2,506	n/a	40 ⁽¹⁰⁾	1,204	n/a	PPA / BOO ⁽³⁾ / 20 years	Operational	Q2 2013
Qurayyah IPP ⁽¹¹⁾	2,717	n/a	17.5	3,927	n/a	PPA / BOO ⁽³⁾ / 20 years	Operational	2017 ⁽¹²⁾
Bowarege IWP ⁽¹³⁾	99	n/a	64.85	n/a	50	WPA / BOO ⁽³⁾ / 3 years	Operational	Q2 2008
RAWEC IWSPP ⁽¹⁴⁾	1,141 ⁽¹⁵⁾	1,004 ⁽¹⁶⁾	37	520 ⁽¹⁷⁾	189 ⁽¹⁸⁾	RAWEC WECA ⁽¹⁹⁾ / BOO ⁽³⁾ / 25 years	Operational / Under construction	Q2 2008 / Q4 2017 ⁽²⁰⁾ or Q1 2018

Notes:

⁽¹⁾ SEPCO, the Project Company for the Shuaibah Expansion IWP, is a joint venture of APP in which APP has an indirect ownership interest.

- (2) ACWA Power's legal ownership is currently 30.75%. KAHROMAA, Projects Acquisition Company, SEC and SAMAWEC have assigned the beneficial ownership rights to their shares in SEPCO (0.5%, 0.5%, 0.5% and 1% of the total shares of SEPCO, respectively) to Shuaibah Expansion Holding Company Limited ("**SEHCO**"), thereby reducing ACWA Power's effective ownership in SEPCO (and its effective share in rights to dividends from SEPCO) to 30%.
- (3) Build, operate and own. In this type of contract, the relevant power and/or desalinated water plant does not have to be transferred to the offtaker when the relevant PPA, WPA or PWPA expires. The Project Company will continue to own the plant.
- (4) SWEC, the Project Company for the Shuaibah IWPP, is a joint venture of APP in which APP has an indirect ownership interest.
- (5) JWAP, the Project Company for the Marafiq IWPP, is a joint venture of APP in which APP has an indirect ownership interest.
- (6) Build, own, operate and transfer. The Marafiq IWPP will have to be transferred to the offtaker when the PWPA expires.
- (7) SQWEC, the Project Company for the Shuqaiq IWPP, is a joint venture of APP in which APP has an indirect ownership interest.
- (8) ACWA Power intends to sell an 8% effective ownership stake in SQWEC. It has entered into an agreement with Apicorp, under which Apicorp agreed to acquire 13.3% of the shares of Shuqaiq International Water and Electricity Company. The 13.3% stake in Shuqaiq International Water and Electricity Company gives Apicorp an 8% effective ownership stake in SQWEC. The closing of this transaction is subject to customary approvals and is expected to occur in the second quarter of 2017. The Financial Model summarized in the section "*Summary of the Financial Model*" assumes a 32% ownership stake of APP in SQWEC.
- (9) RABEC, the Project Company for the Rabigh IPP, is a joint venture of APP in which APP has an indirect ownership interest.
- (10) ACWA Power intends to sell up to a 3% effective ownership stake in RABEC in the near future. As of the date of this Offering Memorandum, no definitive agreement for this sale exists. The Financial Model summarized in the section "*Summary of the Financial Model*" assumes a 37% ownership stake of APP in RABEC.
- (11) HEPCO, the Project Company for the Qurayyah IPP, is a joint venture of APP in which APP has an indirect ownership interest.
- (12) In the case of the Qurayyah IPP, date when the dispute with SEC over Project's commercial operation date is expected to be resolved. HEPCO's scheduled Project's commercial operation date of June 30, 2014 was delayed. HEPCO requested SEC (the offtaker) to grant an extension to the time of completion, which was not granted by SEC. HEPCO issued a notice of dispute on April 26, 2015 under the dispute resolution procedure of the Qurayyah PPA. SEC acknowledged the notice of dispute and, in return, SEC issued a notice of dispute on May 7, 2015. Both SEC and HEPCO remain in discussions with respect to this dispute. See "*Description of the Projects and NOMAC's Operations—Legal Proceedings and Disputes.*"
- (13) Bowarege, the Project Company for the Bowarege IWP, is a direct subsidiary of APP.
- (14) RAWEC, the Project Company for the RAWEC IWSPP, is an associate of APP in which APP has a direct ownership interest.
- (15) With respect to the RAWEC Phase I Facilities (see "*Description of the Projects and NOMAC's Operations—Description of Projects—RAWEC IWSPP / RAWEC—Overview*").
- (16) With respect to the RAWEC Phase II Facilities (see "*Description of the Projects and NOMAC's Operations—Description of Projects—RAWEC IWSPP / RAWEC—Overview*").
- (17) Consists of 360 MW for the RAWEC Phase I Facilities and 160 MW for the RAWEC Phase II Facilities (see "*Description of the Projects and NOMAC's Operations—Description of Projects—RAWEC IWSPP / RAWEC—Overview*").
- (18) Consists of 134,000 cubic meters per day for the RAWEC Phase I Facilities and 55,000 cubic meters per day for the RAWEC Phase II Facilities (see "*Description of the Projects and NOMAC's Operations—Description of Projects—RAWEC IWSPP / RAWEC—Overview*").
- (19) For the description of the RAWEC WECA, see "*Description of the Projects and NOMAC's Operations—Description of Projects—RAWEC IWSPP / RAWEC—Key Contractual Agreements—Water and Energy Conversion Agreement.*"
- (20) The Project's commercial operation date for the RAWEC Phase II Facilities is currently expected to occur in or after the fourth quarter of 2017 (depending on when the offtaker fully complies with its obligations under the RAWEC WECA). The deemed acceptance date for the RAWEC Phase II Facilities occurred in June 2016 and RAWEC has received deemed capacity payments from the offtaker since that date.

For additional information about each of these Projects and a description of the shareholding structure of each Project Company, see "*Description of the Projects and NOMAC's Operations—Description of Projects.*"

NOMAC operates (as an operation and maintenance contractor for the Shuqaiq IWPP, Qurayyah IPP and Bowarege IWP, or as a subcontractor to the operation and maintenance contractor for the Shuaibah Expansion IWP and Shuaibah IWPP), five of the eight above listed Projects (Shuaibah Expansion IWP, Shuaibah IWPP, Shuqaiq IWPP, Qurayyah IPP and Bowarege IWP). Two of NOMAC's subsidiaries (Rabigh Operation and Maintenance Company for the Rabigh IPP and Rabigh Power Company for the RAWEC IWSPP) and one joint venture (Jubail O&M Company for the Marafiq IWPP) operate the remaining three Projects. See "*Description of the Projects and NOMAC's Operations—Description of NOMAC's Operations related to the Projects—Overview.*" In addition, NOMAC has entered into a contract to operate the Rabigh 2 IPP, which is currently under construction. As a result of the NOMAC Restructuring discussed under "*NOMAC Restructuring,*" NOMAC will not be an operation and maintenance subcontractor for the Shuaibah IWPP, but will continue to operate and maintain (together with its two subsidiaries and one joint venture) the remaining seven Projects and the Rabigh 2 IPP. Operation and maintenance services to the Shuaibah IWPP will be provided by a different newly created entity, which will be a subsidiary of NOMAC Holding Company and which will not be assigning any fees or dividends for the benefit of the Bondholders.

Key Characteristics

Largest Private Power and Water Producer with Experienced Management Team

ACWA Power is the largest private power generator and desalinated water producer in the Kingdom of Saudi Arabia, operating through the eight Project Companies. ACWA Power has a strong track record of winning competitive bids, achieved in part due to its ability to consistently deliver tariffs that are significantly lower compared to those of other bidders. ACWA Power's large scale and diversified portfolio has enabled it to build strong relationships with key local stakeholders and to leverage economies of scale.

ACWA Power's management team consists of local and international talent with strong sector and industry experience, which provides it with a relevant mixture of international and local expertise. Furthermore, ACWA Power's culture of empowerment and ownership enables management to extract the employees' best performance, facilitate decision making and benefit from hands-on management practices.

ACWA Power has won a number of international accreditations and awards for its achievements. The following table sets forth selected awards received during the period from January 1, 2014 to 2017.

SELECTED AWARDS OF ACWA POWER

AWARD/ACCREDITATION	YEAR
Best CSR Project (HIWPT)—World Finance Magazine	2014
Best Project Finance Deal (Kirikkale IPP)—EMEA Finance Award	2014
Best Deal (Kirikkale IPP)—EMEA Finance Award	2014
EMEA Deal of the Year (Kirikkale IPP)—by Project Finance International	2014
Deal of the Year (Moatize IPP)—World Finance Magazine	2014
CSR Company of the Year—MENA (ACWA Power)—by The European (Energy Awards)	2014
Energy Investment Firm of the Year (ACWA Power)—Acquisition International Magazine	2014
Solar Deal of the Year (Noor 1)—World Finance Magazine	2014
Developer of the Year (ACWA Power)—EMEA Finance Award	2015
Best Solar Deal in EMEA (Noor 2 & Noor 3)—EMEA Finance Award	2015
Best Sustainability Deal (Shuaa Energy)—EMEA Finance Award	2015
PV Developer 2015 (ACWA Power)—MENASol	2015
PV & CSP Developer of the Year (ACWA Power)—MENASol	2016
Global Sponsor of the Year (ACWA Power)—Project Finance Magazine	2016
Developer of the Year (ACWA Power)—EMEA Project Finance Magazine	2016
Regional Sponsor Award (ACWA Power)—IJ Global Awards	2016
Best Power Deal (Salalah 2)—IJ Global Awards	2016
Best Solar Deal Award (Shuaa Energy)—IJ Global Awards	2016
The Best Wind Deal (Khalladi Wind)—IJ Global Awards	2016
Global Sponsor of the Year 2015 (ACWA Power)—PFI Awards	2016
Asia's Best First Time Sustainability Award (ACWA Power)—Asia Sustainability Reporting Awards	2016
Regional Sponsor of the Year (ACWA Power)—IJ Global Awards	2017
Power Deal of the Year (Hassyan IPP)—IJ Global Awards	2017
Refinancing Deal of the Year (Rabigh 1 IPP)—IJ Global Awards	2017
Regional Company of the Year (ACWA Power)—MESIA	2017

Supportive and Reputable Shareholder Base

ACWA Power, our parent company and that of APP, has a supportive shareholder base consisting of leading Saudi and regional conglomerates, Saudi Arabian government shareholders and supranational institutions.

Saudi and regional conglomerates: ACWA Power's shareholders include some of the leading Saudi and regional conglomerates and institutional investors with a strong industry background. They provide ACWA Power with credibility, access to key market stakeholders and strategic direction through representation on the ACWA Power Board of Directors. The three founding shareholders include the Al Muhaidib Group and Abdullah Abunayyan Group (Abunayyan Holding), through ACWA Holding, as well as the MADA Group. The founding shareholders and the other private shareholders have interests in sectors like infrastructure, manufacturing, real estate, trading, manufacturing, food, and engineering and technology, among others.

Government shareholders: ACWA Power’s shareholders include Sanabil Direct Investment Company (wholly owned by the Public Investment Fund, a sovereign wealth fund of the Kingdom of Saudi Arabia) and the Public Pension Agency of the Kingdom of Saudi Arabia. Both entities are ultimately owned by the Saudi Arabian government. The investment by these entities in ACWA Power is reflective of the strategic importance the Saudi Arabian government places on ACWA Power and ACWA Power’s role as a leading private sector investor in the critical power and water infrastructure industries.

Supranational shareholder: The IFC, a member of the World Bank Group, holds over 5% of ACWA Power’s shares. As is customary for any IFC investment, ACWA Power has implemented certain corporate governance standards. ACWA Power’s management believes that this investment by IFC demonstrates the high quality of its corporate governance practices and its leading role as a developer of large-scale, sophisticated infrastructure in emerging economies.

The following table sets forth information on the shareholders of ACWA Power as of the date of this Offering Memorandum.

SHAREHOLDER	%
Arabian Company for Water and Power Development (“ ACWA Holding ”)	47.2
MADA Group for Industrial and Commercial Investment (“ MADA Group ”)	23.3
Sanabil Direct Investment Company	11.5
Saudi Public Pension Agency	4.8
International Finance Corporation (IFC)	5.1
Al Mutlaq Group Co.	3.7
Omar Kassem Al Esayi & Marketing Co.	2.3
Badad International Co. for Trading and Construction Ltd.	0.8
Future Industrial Investments Co. Ltd.	0.8
Al-Toukhi Commercial Group Co. Ltd.	0.4
Total	100.0

ACWA Power, the Parent Company of APP and the Issuer, Enjoys Strong Sovereign Support as Investor in and Operator of Key Infrastructure

While rich in oil and gas, the Kingdom of Saudi Arabia does not have any meaningful power interconnectors, and the lack of permanent rivers or lakes, combined with little rainfall, create a critical need for power generation and water desalination infrastructure.

Understanding the importance of this infrastructure to its population, the Saudi Arabian government has provided significant support to the development of its power generation and water desalination infrastructure in the form of sovereign guarantees and long-term offtake agreements, typically lasting 20 to 25 years. Many of the Projects benefit from the strong direct and indirect support from the Saudi Arabian government through ownership interests, offtake partnerships and/or guarantees of payment under offtake agreements.

The offtake agreements for SEPCO, SWEC, JWAP and SQWEC benefit from direct guarantees from the Ministry of Finance of the Kingdom of Saudi Arabia. Furthermore, state-owned companies or government-related entities are the offtakers for all the Projects except the RAWEC IWSP:

- Saudi Electricity Company (“**SEC**”), which is majority owned by the Saudi Arabian government, is the offtaker for two Projects (Rabigh IPP and Qurayyah IPP);
- the Saline Water Conversion Corporation (“**SWCC**”), which is a government corporation, is the offtaker for one Project (Bowarege IWP);
- the Water and Electricity Company (“**WEC**”), which is owned by SEC (50%) and SWCC (50%), is the offtaker for three Projects (Shuaibah Expansion IWP, Shuaibah IWPP and Shuqaiq IWPP) and its payment obligations under the offtake agreements for these Projects have direct Ministry of Finance guarantees; and
- Tawreed, which is a majority government owned entity and the utility for the economically important special economic zones of Jubail and Yanbu, is the offtaker for one Project (the Marafiq IWPP) and its payment obligations under the offtake agreement for this Project have a direct Ministry of Finance guarantee.

The remaining Project (the RAWEC IWSP) is a captive Project for which Petro-Rabigh is the offtaker. Saudi Aramco is one of the founding and largest shareholders of Petro-Rabigh.

Moreover, state-owned entities, such as SEC and the Public Investment Fund (“PIF”) (which is a sovereign wealth fund of the Kingdom of Saudi Arabia and is an indirect shareholder of ACWA Power), have ownership stakes in SEPCO, SWEC, JWAP, SQWEC, RABEC and HEPCO.

The following table sets forth a summary of involvement in the Project Companies by the Saudi Arabian government or state-owned entities in respect of the offtake agreements and shareholding.

PROJECT COMPANY NAME	OFFTAKER	SOVEREIGN GUARANTEE	GOVERNMENT RELATED OWNERSHIP STAKE
SEPCO	WEC	Yes	SEC: 8% ⁽¹⁾ PIF: 32% ⁽¹⁾
SWEC	WEC	Yes	SEC: 8% PIF ⁽²⁾ : 32%
JWAP	Tawreed	Yes	SEC:5% PIF ⁽²⁾ : 5% Marafiq: 30%
SQWEC	WEC	Yes	SEC: 8% PIF ⁽²⁾ : 32%
RABEC	SEC	See note ⁽³⁾	SEC: 20%
HEPCO	SEC	See note ⁽³⁾	SEC: 50%
Bowarege	SWCC ⁽⁴⁾	—	—
RAWEC	Petro-Rabigh ⁽⁵⁾	—	Saudi Aramco: 0.375% ⁽⁶⁾

Notes:

- ⁽¹⁾ Shows beneficial ownership. SEC and the PIF own 8% and 32%, respectively, of the shares of SEHCO, the parent company of SEPCO. SEHCO legally owns 97.5% of the shares of SEPCO and beneficially owns 100% of the shares of SEPCO.
- ⁽²⁾ Water Electricity Holding Company, a wholly owned subsidiary of the PIF, is the actual owner of the shares.
- ⁽³⁾ SEC is required to procure credit support (either from an entity with a certain credit rating or the Saudi Arabian government) with respect to its payment obligations under the respective PPA if its credit rating is downgraded below a certain level.
- ⁽⁴⁾ RAKAA sells desalinated water to SWCC under the Bowarege WPA. Bowarege sells desalinated water to RAKAA under a back-to-back Project Performance Agreement. See “*Description of the Projects and NOMAC’s Operations—Description of Projects—Bowarege IWP / Bowarege—Key Contractual Agreements—Water Purchase Agreement.*”
- ⁽⁵⁾ Petro Rabigh Petrochemical Company is majority owned by Saudi Arabian Oil Company (Saudi Aramco) and Sumitomo Chemical Company Limited (each with a 37.5% stake).
- ⁽⁶⁾ Saudi Aramco owns 37.5% of the shares of Petro-Rabigh. Petro-Rabigh owns 1% of the shares of RAWEC.

Sanabil Direct Investment Company, a wholly owned subsidiary of the PIF (a sovereign wealth fund of the Kingdom of Saudi Arabia), and the Public Pension Agency of the Kingdom of Saudi Arabia together own approximately 16.3% of ACWA Power’s shares.

Critical Must Run Infrastructure for Growing Population

According to the World Bank, the Kingdom of Saudi Arabia experienced an average 2.1% per year population growth from 2005 to 2015. As a result of this population growth and the continued urbanization and industrialization of the Kingdom of Saudi Arabia, the demand for power and desalinated water from 2011 to 2015 increased at a CAGR of 7.5% and 5.0%, respectively. The population of the Kingdom of Saudi Arabia is expected to grow by an annual average of 1.5% over the next decade, according to the *World Factbook*. Over the same time, the urbanization and industrialization trends are expected to accelerate, mostly driven by the Vision 2030 policies. These trends are expected to underpin continued growth in demand for power and desalinated water.

The power and water markets in the Kingdom of Saudi Arabia can be characterized as constrained—with little excess capacity to absorb disruptions at any major generation assets. In the power market, current available peak capacity is approximately 62 GW, representing a reserve margin of 10%, which is below the 15% reserve margin considered ideal for an electricity network. Current potable water sources and desalination capacity are able to meet the demand for approximately eight million cubic meters per day according to the Saudi Arabian Water Environment Association.

Given this supply-demand dynamic, and the fact that ACWA Power's portfolio supplied approximately 23% of electricity generated and 34% of desalinated water produced in the Kingdom of Saudi Arabia in 2015, the Projects are considered "must run" assets that are strategically important and essential in meeting the power and water needs of the Kingdom of Saudi Arabia.

Stable Contractual Framework Delivering Predictable Cash Flows

The offtake agreements (other than the agreement for the Bowarege IWP) are largely availability-based and have fixed tariffs for power and/or water capacity payments intended to cover construction costs, debt financing costs, fixed operation and maintenance costs, taxes and equity return. Payments under these agreements are either made in U.S. dollars or these agreements have U.S. dollar exchange rate indexation built in. These agreements also have an adjustment for inflation mechanism.

A majority of revenue of the Project Companies comes from capacity payments which are made by the offtakers regardless of actual electricity and/or desalinated water output. Capacity payments are generally based on the contracted plant availability. The Project Companies receive capacity payments regardless of actual electricity and/or desalinated water output so long as the plants are available for power generation and/or desalinated water production. If the average plant availability in any given period exceeds the projected contracted availability, the Project Companies are entitled to an incentive fee based on excess availability. If, however, the average availability falls below the projected availability in any period, the Project Companies typically lose revenue and may be subject to certain penalties payable to the offtakers in accordance with formulas set out in the offtake agreements. In addition, there are output payments linked to electricity generation and/or desalinated water production intended to cover variable costs.

Moreover, all of the Projects have in place comprehensive insurance packages covering major risks including business interruption risk.

Each of the Projects other than the Bowarege IWP is individually financed by way of project financings at the level of each Project Company, with a range of regional financial institutions, export credit agencies and/or international financial institutions providing funding. These financing arrangements have contracted amortization and, in the large majority of cases, hedging arrangements reducing interest rate risk. See "*Description of Certain Other Financing Arrangements of Project Companies.*"

Finally, each of the Projects has a policy of maximizing dividends to its shareholders. In practice, this means the distribution of all excess cash flows after satisfying the statutory and contractual obligations, typically in the form of creating and maintaining adequate reserves. The dividends policy of each Project Company is governed by its shareholders' agreement, their articles or bylaws (as appropriate) and the shareholders' agreement of the bidding company that became the holding company of the Project Company after winning the bid. A change in the dividends policy would require the shareholders' agreement or agreements to be changed, which requires consent from all parties to such shareholders' agreement or agreements. Given that APP has covenanted not to change the dividends policy of any Project Company, this means that over the life of the Projects all excess cash flows is expected to be distributed from such Projects. The policy of maximizing dividends to its shareholders, in combination with the contracted revenues, the substantial pass-through of expenses and the hedging arrangements related to existing financing arrangements, provide a stable and transparent stream of cashflows to shareholders.

ACWA Power's management believes that the risk of the operating agreements at the Project Companies' level being terminated is negligible as long as the relevant Project Company performs its obligations under the relevant PWPA, PPA or WPA, and that most events of default are within the control of the Project Companies.

The following table sets forth a summary of the termination thresholds under the offtake agreements and the levels of power technical availability achieved by the Project Companies in 2014, 2015 and 2016.

<u>PROJECT NAME</u>	<u>THRESHOLD</u>	<u>2014 TECHNICAL AVAILABILITY</u>	<u>2015 TECHNICAL AVAILABILITY</u>	<u>2016 TECHNICAL AVAILABILITY</u>
Shuaibah IWPP	67% ⁽¹⁾	92.7%	85.5%	91.4%
Marafiq IWPP	75% ⁽²⁾	92.3%	98.2%	97.2%
Shuqaiq IWPP	67% ⁽¹⁾	94.8%	96.9%	95.7%
Rabigh IPP	67% ⁽¹⁾	94.0%	92.8%	87.0%
Qurayyah IPP	75% ⁽¹⁾	n/a	75.6%	87.4%
RAWEC IWSP	90% ⁽³⁾	96.2%	93.3%	93.9%

Notes:

⁽¹⁾ Calculated for any rolling period of 730 days.

⁽²⁾ Calculated for any rolling period of 12 months.

⁽³⁾ Default will occur if average availability is less than 90% of the contracted capacity for 25% of the time in any 180-day period. See “*Description of the Projects and NOMAC’s Operations—Description of Projects—RAWEC IWSP / RAWEC.*”

The following table sets forth a summary of the termination thresholds under the offtake agreements and the levels of water technical availability achieved by the Project Companies in 2014, 2015 and 2016.

<u>PROJECT NAME</u>	<u>THRESHOLD</u>	<u>2014 TECHNICAL AVAILABILITY</u>	<u>2015 TECHNICAL AVAILABILITY</u>	<u>2016 TECHNICAL AVAILABILITY</u>
Shuaibah Expansion IWP	67% ⁽¹⁾	96.4%	97.8%	96.5%
Shuaibah IWPP	67% ⁽¹⁾	89.6%	85.5%	91.3%
Marafiq IWPP	75% ⁽²⁾	94.8%	97.1%	98.8%
Shuqaiq IWPP	67% ⁽¹⁾	96.2%	97.5%	99.4%
Bowarege IWP	95(76)% ⁽³⁾⁽⁴⁾	60.9% ⁽⁵⁾	88.6%	88.7%
RAWEC IWSP	90% ⁽⁶⁾	97.1%	95.3%	92.7%

Notes:

⁽¹⁾ Calculated for any rolling period of 730 days.

⁽²⁾ Calculated for any rolling period of 12 months.

⁽³⁾ Bowarege is required under the terms of the Bowarege WPA to ensure the availability of the water plant at the level of no less than 95% during each month. This minimum availability level, however, is based on the requirement to provide 40,000 cubic meters of desalinated water per day, while the aggregate design capacity of the two barges is 50,000 cubic meters per day. Therefore, the effective minimum water availability for triggering the termination clause under the Bowarege WPA is 76%.

⁽⁴⁾ Calculated on a monthly basis.

⁽⁵⁾ The technical availability level at the Bowarege IWP in 2014 was adversely affected by the fire on one of the two barges in September 2013, which kept it out of operation until August 2014. See “*Risk Factors—Risks Related to the APP Group, Projects and NOMAC—Operations of the Project Companies and/or NOMAC can be adversely affected by force majeure events such as fire, floods, earthquakes, tsunami, sandstorms, explosions, acts of terrorism or sabotage or other events outside of their control.*”

⁽⁶⁾ Default will occur if average availability is less than 90% of the contracted capacity for 25% of the time in any 180-day period. See “*Description of the Projects and NOMAC’s Operations—Description of Projects—RAWEC IWSP / RAWEC.*”

Proven, Well-Understood Technology Leading to Strong Operating Performance

The Projects utilize proven, well-understood technologies that have been widely used around the world, which is particularly important given that the Projects constitute critical infrastructure.

In addition to using proven technology, the Project Companies use components manufactured by leading international original equipment manufacturers, such as GE, Siemens, SIDEM, Mitsubishi Heavy Industries and Dongfeng and high-quality EPC contractors, such as Samsung C&T Corporation and Mitsubishi Heavy Industries. Combining a proven, well-understood technology with high quality components has resulted in strong historical operating performance by the Projects.

The following table sets forth information on the technology and original equipment manufacturers used in each Project.

PROJECT NAME	POWER GENERATION		WATER DESALINATION	
	TECHNOLOGY	ORIGINAL EQUIPMENT MANUFACTURERS	TECHNOLOGY	ORIGINAL EQUIPMENT MANUFACTURERS
Shuaibah Expansion IWP	n/a	n/a	Reverse Osmosis	Doosan Heavy Industries
Shuaibah IWPP	Steam Turbine	Siemens	Multi-Stage Flash Desalination	Doosan Heavy Industries
Marafiq IWPP	Combined Cycle	GE	Multi-Effect Desalination	SIDEM
Shuqaiq IWPP	Steam Turbine	Mitsubishi Heavy Industries	Reverse Osmosis	Mitsubishi Heavy Industries
Rabigh IPP	Steam Turbine	Dongfeng	n/a	n/a
Qurayyah IPP	Combined Cycle	Siemens	n/a	n/a
Bowarege IWP	n/a	n/a	Reverse Osmosis	Wetico
Rawec IWSP	Steam Turbine	Mitsubishi Heavy Industries	Reverse Osmosis	Mitsubishi Heavy Industries

Experienced and Sophisticated Co-Investors

The joint venture partners of ACWA Power include some of the leading infrastructure investors in the region, including Engie, JGC, KEPCO, Malakoff, Marubeni Corporation, Samsung C&T Corporation and Tenaga. See “*Description of the Projects and NOMAC’s Operations.*”

Participation of this investor group underscores and validates the high-quality development, management and operational approach of ACWA Power and NOMAC. In addition, the SEC is a shareholder in seven of the Project Companies and is an offtaker for three of the Projects, which ACWA Power believes creates a symbiotic relationship with the SEC acting as both financial investor and a key contractual counterparty.

A Market-Leading Operation and Maintenance Services Provider in the Kingdom of Saudi Arabia

Since its formation in 2005, NOMAC has become one of the market leading private sector power and water operation and maintenance services companies, contracted to provide operation and maintenance services to 26 projects worldwide, representing 21 GW of power generation and 2.5 million cubic meters per day of water desalination capacity in the Kingdom of Saudi Arabia, Morocco, Oman, South Africa, Bulgaria and Turkey. Its unique strategic positioning allows NOMAC to provide value-added operation and maintenance services by leveraging its size and institutional expertise.

NOMAC provides operation and maintenance services for all of the Projects—either directly (for six Projects) or through two of its subsidiaries and one joint venture (for three Projects).

Revenues Underpinned by Long-Term Agreements

NOMAC’s revenues are underpinned by long-term operation and maintenance agreements that provide a high degree of visibility on future revenues. Under these agreements, NOMAC receives priority payments ahead of project-level debt service. Payments to NOMAC cover both fixed and variable cost components along with a return on capital and are based on technical availability of the Projects. For assets in the Kingdom of Saudi Arabia that have been operational for at least one year, the average technical availability for 2016 was 93.0% (2015: 93.3%, 2014: 94.0%) for power and 94.6% (2015: 93.6%, 2014: 89.2%) for water.

The following table sets forth a summary of the contractual framework for each Project.

PROJECT NAME	NOMAC PARTICIPATION	OFFTAKE AGREEMENT TENOR (YEARS)	TENOR OF THE OPERATION AND MAINTENANCE AGREEMENT (YEARS)	PAYMENT BASIS	INCENTIVE BASIS	LIQUIDATED DAMAGES BASIS
Shuaibah Expansion IWP	100%	20	20	Fixed and Variable	Availability & Efficiency	Availability & Efficiency
Marafiq IWPP	40%	20	20	Fixed and Variable	Availability & Efficiency	Availability & Efficiency
Shuqaiq IWPP	100%	20	20	Fixed and Variable	Availability & Efficiency	Availability & Efficiency
Rabigh IPP	60%	20	20	Fixed and Variable	Availability & Efficiency	Availability & Efficiency
Qurayyah IPP	100%	20	20	Fixed and Variable	Availability & Efficiency	Availability & Efficiency
Bowarege	100%	10	10	Fixed and Variable	Availability	Availability
RAWEC IWSP	51%	25	25	Cost Plus and Variable	Availability & Efficiency	Availability & Efficiency

Cost Efficiency and Management

Given its size and institutional expertise, NOMAC is able to leverage its economies of scale and strategic sourcing to achieve cost efficiencies. In addition, NOMAC has established a five-year procurement plan, which is reviewed and updated annually to improve visibility of its near-to-medium term expenditures. The procurement plan is complemented by long-term supply arrangements that seek to ensure required levels of supplies, as and when they are needed, and to minimize cost volatility.

Rigorous Risk Management Approach to Deliver Consistent Performance

NOMAC's adherence to rigorous risk management principles and an iterative budgeting process helps to provide full visibility on costs and the ability to deliver consistent and predictable financial performance. NOMAC also has a comprehensive enterprise risk management system, which allows for dynamic monitoring of all aspects of its operation and maintenance services. Furthermore, risk-related key performance indicators for every employee make risk management an integral part of NOMAC's business functions.

Proven Maintenance Regime

NOMAC has implemented a robust preventive maintenance regime that seeks to minimize forced outages and better allocate maintenance and scheduling outages for times of lower required availability (for example, during winter).

Human Capital

NOMAC is a specialized organization that is led by a dedicated and experienced management team. It considers human capital to be a key component of its maintenance regime and strategy. As part of this strategy, NOMAC has implemented a five-year forward-looking training and development plan for employees through competency maps and tailored training programs for technicians and operators as well as leadership competency models for management. In addition, NOMAC operates its own training institute for prospective employees, the Higher Institute of Power and Water Training, which allows NOMAC to identify and employ a talented workforce.

Strong Historical KPIs

Historically, NOMAC has delivered a consistent level of technical availability for the Projects. For assets in the Kingdom of Saudi Arabia that have been operational for at least one year, the average technical availability for 2016 was 93.0% for power and 94.6% for water. ACWA Power's management believes that NOMAC has set a new benchmark for operation and management of power and water desalination plants by continuous improvement of its operating and maintenance expertise and services delivery.

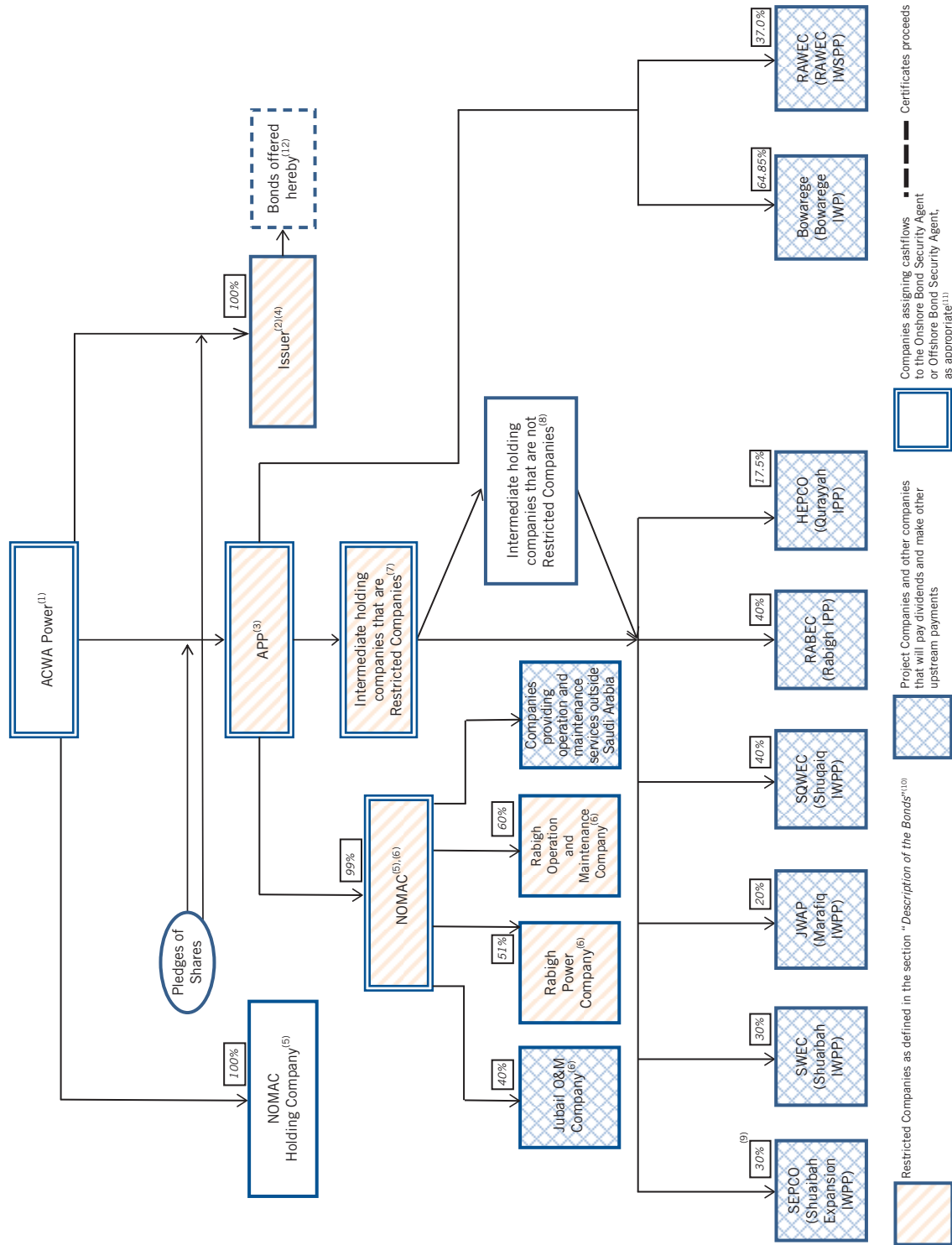
Resilient Cash Flows Profile

The combination of long-term contracted revenues, strong operational performance and rigorous budgeting is designed to generate predictable cash flows.

NOMAC applies a budgetary process which seeks to minimize deviations from the projected expenses to help maintain a predictable dividend profile. NOMAC undergoes a rigorous and iterative annual budgeting process over a period of four to five months. The process involves input, review and sign-off from all major departments, rigorous reviews and multiple challenge sessions with the budgeting team. Once a budget has been finalized, management is held accountable for deviations from plan with SAP-based budgetary control processes in place to ensure a strict approval process for unbudgeted spending. Historically, this approach has resulted in only minor deviations from expected performance.

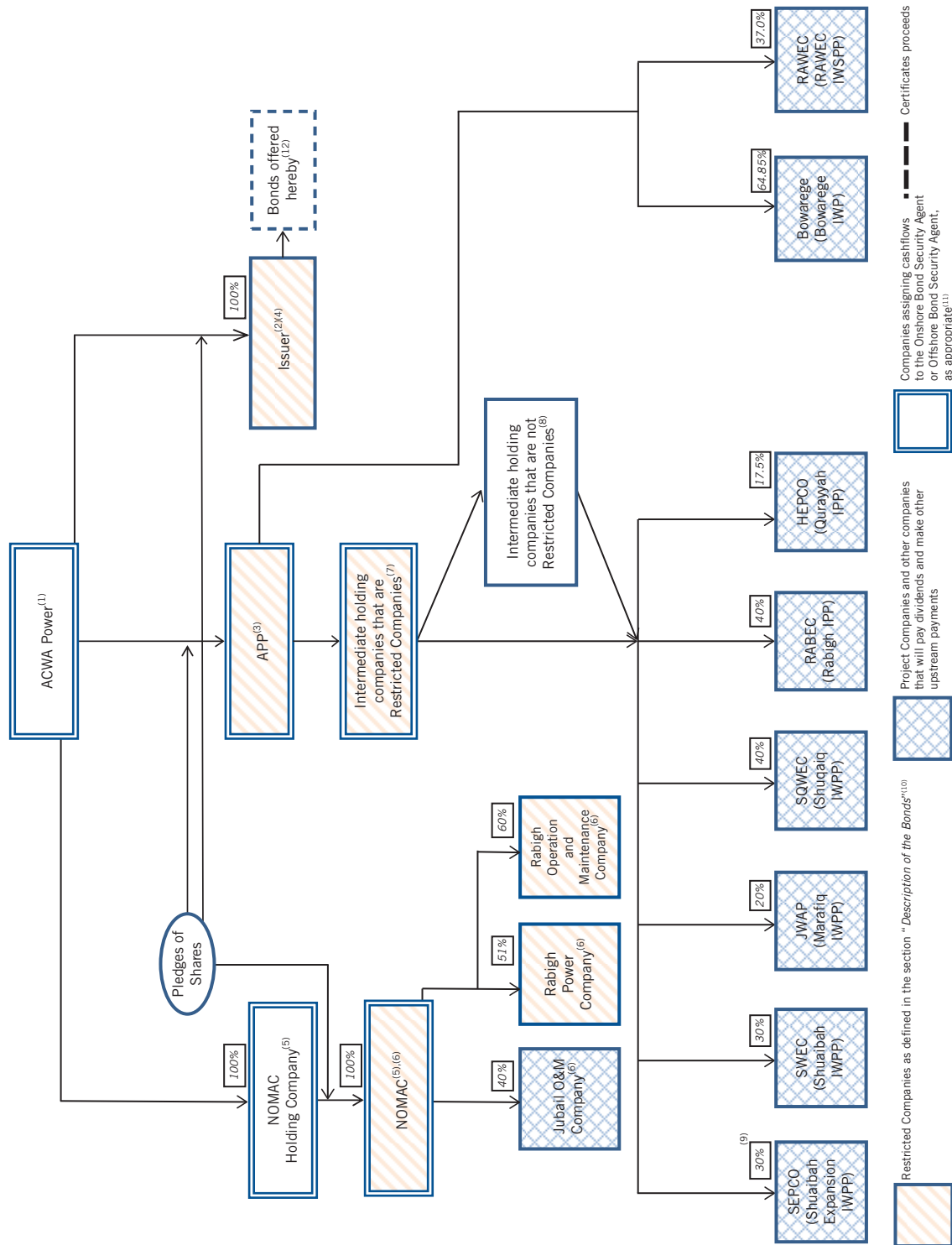
Pre-NOMAC Restructuring Summary Financing Chart

The following simplified chart sets forth the entities within the ACWA Power Group that are relevant to the understanding of cash flows and collateral securing the Bonds before the transfer of shares of NOMAC Limited to NOMAC Holding Company.



Post-NOMAC Restructuring Summary Financing Chart

The following simplified chart sets forth the entities within the ACWA Power Group that are relevant to the understanding of cash flows and collateral securing the Bonds after the transfer of the shares of NOMAC Limited to NOMAC Holding Company.



Notes to both charts:

- (1) ACWA Power owns 98.15% of the shares of APP directly and the remaining 1.85% indirectly through its wholly owned subsidiaries.
- (2) On the Issue Date, the obligations of the Issuer under the Bonds will be secured by a security interest over the Issue Date Bond Collateral. Additional collateral will be added to secure the obligations of the Issuer under the Bonds after the Issue Date. As of the date of this Offering Memorandum, the ACWA Power Group is in the process of restructuring the operations of NOMAC. Following the transfer of shares of NOMAC Limited to NOMAC Holding Company, NOMAC Holding Company (and any other *de minimis* shareholder of NOMAC) will assign to the Onshore Bond Security Agent for the benefit of the Bondholders all dividends that have been approved by the shareholders and are payable from NOMAC. Following the conversion of NOMAC Limited to NOMAC JSC, NOMAC Holding Company (and any other *de minimis* shareholder of NOMAC) will also grant a Saudi law pledge over the shares of NOMAC held by NOMAC Holding Company (and any other *de minimis* shareholder of NOMAC) in favor of the Onshore Bond Security Agent for the benefit of the Bondholders. To the extent any Trust Certificates, which are permitted under the Indenture, are issued after the Issue Date, this collateral will secure the Bonds, Additional Bonds, if any, and the Trust Certificates on a *pro rata* basis based on the aggregate principal amount of the Bonds and Additional Bonds issued and outstanding and the face amount of any Trust Certificates issued and outstanding. See “—Cash Flows and Collateral Securing the Bonds” and “NOMAC Restructuring.”
- (3) On the Issue Date, the obligations of the Issuer under the Bonds will be secured by a share pledge over all shares of APP held by ACWA Power and its affiliates. To the extent any Trust Certificates, which are permitted under the Indenture, are issued after the Issue Date, this collateral will secure the Bonds, Additional Bonds, if any, and the Trust Certificates on a *pro rata* basis based on the aggregate principal amount of the Bonds and Additional Bonds issued and outstanding and the face amount of any Trust Certificates issued and outstanding. See “—Cash Flows and Collateral Securing the Bonds—Pledges over Shares.”
- (4) On the Issue Date, the obligations of the Issuer under the Bonds will be secured by a pledge over the shares of the Issuer held by ACWA Power and a pledge over the Collection Account, the Debt Service Reserve Account and the Redemption Account. Pursuant to the APMI One Share Pledge (as defined in “Description of the Bonds”), the Offshore Bond Security Agent will agree, on behalf of the Bondholders, that, notwithstanding the security interest created in the shares of the Issuer, the Offshore Bond Security Agent and Bondholders will have no direct right or interest in the assets of the Issuer other than the Bond Collateral, whether before or after enforcement of security over the shares of the Issuer. Moreover, the provisions of any advance or other loan made by the Issuer to other ACWA Power Group entities (which are not Restricted Companies) on or after the Issue Date, including with any net proceeds from the Offering, will provide that such advance or loan will be forgiven upon a change in control of the Issuer. See “Risk Factors—Risks Related to the Bonds and the Bond Collateral—Risks Related to the Bond Collateral—The value of the Bond Collateral securing the Bonds may not be sufficient to satisfy our obligations under the Bonds and the Bond Collateral securing the Bonds may be reduced or diluted under certain circumstances.”
- (5) As of the date of this Offering Memorandum, the ACWA Power Group is in the process of restructuring the operations of NOMAC. ACWA Power has created NOMAC Holding Company, a new company incorporated as a limited liability company under the laws of the Kingdom of Saudi Arabia wholly owned by ACWA Power, to hold shares of NOMAC and other entities that will provide operation and maintenance services to the Shuaibah IWPP and other projects of the ACWA Power Group. See “NOMAC Restructuring.” Subject to the receipt of all required lender and shareholder consents and governmental authorizations, all of APP’s shares and Projects Acquisition Company’s shares in NOMAC will be transferred to the NOMAC Holding Company and NOMAC’s non-Saudi operations will be transferred to another subsidiary of NOMAC Holding Company. Under the terms of the Indenture, the NOMAC Obligations will need to be completed within 180 days of the transfer of more than 2% of APP’s shares in NOMAC to NOMAC Holding Company (the “NOMAC Transfer Date”). After the transfer of NOMAC’s shares to NOMAC Holding Company, NOMAC will no longer be a subsidiary of APP and there will be no share pledge granted over the shares of NOMAC until the NOMAC Obligations are completed. We cannot provide any assurance as to the timing of receipt of all required consents and authorizations related to the transfer of NOMAC’s shares and the transfer of NOMAC’s non-Saudi operations to another subsidiary of NOMAC Holding Company. See “Risk Factors—Risks Related to the APP Group, Projects and NOMAC—The NOMAC Restructuring is subject to third party consents and approvals and we can provide no assurance that it will be completed.” Prior to the NOMAC Transfer Date, APP will assign all dividends that have been approved by the shareholders and are payable from NOMAC (which will include dividends based on net income from NOMAC’s non-Saudi operations until the completion of the transfer of NOMAC’s shares to NOMAC Holding Company) to the Onshore Bond Security Agent for the benefit of the Bondholders. To the extent any Trust Certificates, which are permitted under the Indenture, are issued after the Issue Date, this collateral will secure the Bonds, Additional Bonds, if any, and the Trust Certificates on a *pro rata* basis based on the aggregate principal amount of the Bonds and Additional Bonds issued and outstanding and the face amount of any Trust Certificates issued and outstanding.
- (6) After the NOMAC Restructuring, NOMAC will continue to provide operation and maintenance services to the following Projects as a contractor: (i) the Shuqaiq IWPP, (ii) the Qurayyah IPP and (iii) the Bowarege IWP. In addition, it will continue to provide operation and maintenance services as a subcontractor to the Shuaibah Expansion IWP. NOMAC’s joint venture, Jubail O&M Company, provides operation and maintenance services to the Marafiq IWPP. NOMAC’s subsidiary, Rabigh Power Company, provides operation and maintenance services to the RAWEC IWSP. NOMAC’s subsidiary, Rabigh Operation and Maintenance Company, provides operation and maintenance services to the Rabigh IPP. See “Description of the Projects and NOMAC’s Operations—Description of NOMAC’s Operations related to the Projects.” In addition, NOMAC has entered into a contract to operate the Rabigh 2 IPP, which is currently under construction. NOMAC will no longer provide operation and maintenance services to the Shuaibah IWPP after the existing subcontract to provide operation and maintenance services to the Shuaibah IWPP will be novated to transfer all rights and obligations under such subcontract from NOMAC to SWEC O&M.
- (7) Intermediate holding companies that are Restricted Companies include (i) Shuaibah National Company for Water and Power, (ii) Saudi-Malaysia Water and Electricity Company Limited (“SAMAWEC”) so long as APP maintains a direct or indirect interest in SAMAWEC, (iii) AMWEC, (iv) Shuqaiq Arabian Water and Electricity Company, (v) Shuqaiq International Water and Electricity Company, (vi) Rabigh Project Company and (vii) Qurayyah Project Company.
- (8) Intermediate holding companies that are not Restricted Companies include (i) SEHCO, (ii) SGA Marafiq Holdings W.L.L and (iii) Qurayyah Investment Company. SGA Marafiq Holdings W.L.L has certain outstanding affiliate loans made by NOVA as described under “Description of Certain Other Financing Arrangements of Project Companies—Equity Bridge Loans—Loans to SGA Marafiq Holdings.” Upon maturity of the affiliate loans, SGA Marafiq Holdings W.L.L has an option to extend the term of such loans. If this option is exercised, all dividends distributed by SGA Marafiq Holdings W.L.L will be used to repay these affiliate loans. NOVA will provide an irrevocable payment undertaking requiring it to pay to the Collection Account all dividends to be paid to

APGS by NOVA and APGS's 33.33% share of all affiliate loan repayments received by NOVA from SGA Marafiq Holding W.L.L. To the extent any Trust Certificates, which are permitted under the Indenture, are issued after the Issue Date, this irrevocable payment undertaking will be replaced with irrevocable payment undertakings directing that such payments will be paid to the Collection Account and the collection account in relation to the Trust Certificates on a *pro rata* basis based on the aggregate principal amount of the Bonds and Additional Bonds issued and outstanding and the face amount of any Trust Certificates issued and outstanding. See "*Risk Factors—Risks Related to the Bonds and the Bond Collateral—Risks Related to Our Corporate Structure and the Project Companies—The Project Companies and certain intermediate holding companies that hold ownership interests in the Project Companies are not Restricted Companies.*"

- ⁽⁹⁾ Reflects the effective shareholding interest in SEPCO. See "*Description of the Projects and NOMAC's Operations—Description of Projects—Shuaibah Expansion IWP / SEPCO.*"
- ⁽¹⁰⁾ Restricted Companies had the following outstanding indebtedness as of December 31, 2016 that will not be repaid from the proceeds of the Offering: SAR 14.0 million (US\$3.7 million equivalent) outstanding under the Floating Ships Company long term loan facility of Floating Ships Company for Water Projects Limited, a subsidiary of APP.
- ⁽¹¹⁾ For the description of the cash flows being assigned by ACWA Power, APP, certain intermediate holding companies that are Restricted Companies, NOMAC Holding Company and NOMAC to the Onshore Bond Security Agent or Offshore Bond Security Agent, as appropriate, for the benefit of the Bondholders, see "*Cash Flows and Collateral Securing the Bonds.*" In certain circumstances, certain of the Bond Collateral may be released upon enforcement of the share pledges over APP and NOMAC. Additionally, the ability to transfer APP's or NOMAC's shares following the enforcement by the Onshore Security Agent of its rights under the relevant share pledge may in certain instances be subject to negotiations with certain counterparties (including off-takers and/or export credit agencies) in respect of the technical qualifications of the new shareholder. See "*Risk Factors—Risks Related to the Bonds and the Bond Collateral—Risks Related to the Bond Collateral—The value of the Bond Collateral securing the Bonds may not be sufficient to satisfy our obligations under the Bonds and the Bond Collateral securing the Bonds may be reduced or diluted under certain circumstances*" and "*Risk Factors—Risks Related to the Bonds and the Bond Collateral—Risks Related to the Bond Collateral—The ability to transfer APP's or NOMAC's shares following enforcement by the Onshore Bond Security Agent of its rights under the relevant share pledge may in certain instances be subject to negotiations with certain counterparties in respect of the technical qualifications of the new shareholder.*" To the extent any Trust Certificates, which are permitted under the Indenture, are issued after the Issue Date, this collateral will secure the Bonds, Additional Bonds, if any, and the Trust Certificates on a *pro rata* basis based on the aggregate principal amount of the Bonds and Additional Bonds issued and outstanding and the face amount of any Trust Certificates issued and outstanding.
- ⁽¹²⁾ The Bonds will be structurally subordinated to Indebtedness incurred by the other Restricted Companies and the Project Companies. As of December 31, 2016, the Project Companies had SAR 36,767.9 million (US\$9,804.8 million equivalent) of total indebtedness outstanding. See "*Risk Factors—Risks Related to the Bonds and the Bond Collateral—Risk Related to Our Corporate Structure and the Project Companies—The Bonds will be structurally subordinated to the liabilities of the Project Companies, NOMAC and the intermediate holding companies.*"

Collateral Package

In the event that there is a future issuance of Trust Certificates that is permitted under the Indenture, the Bonds Collateral will be released and new security will be created so that the Bondholders will have the benefit of a collateral package over a *pro rata* portion of the same assets as the original Bond Collateral and the holders of the Trust Certificates will have the benefit of a separate but parallel collateral package over a *pro rata* portion of the same assets (excluding the security over certain of the Issuer's accounts and the pledge over the Issuer's shares which will be pledged solely in favor of the Onshore Bond Security Agent for the benefit of the Bondholders). See "*Risk Factors—Risks Related to the Bond Collateral—DIFC law-governed security—The granting of the Bond Collateral in the future in connection with any release of Sukuk Collateral prior to the maturity of the Bonds, granting of a new or additional security interest, or in transactions permitted under the "Merger and Consolidation" covenant in the Indenture, may create or restart hardening periods and the Bond Collateral may be challenged or voidable in accordance with the laws applicable in certain jurisdictions.*"

Pursuant to the terms of the Collateral Coordination Agreement any proceeds received upon any enforcement action over any Bond Collateral will be applied to repayment of all obligations under the Bonds and any Additional Bonds permitted to be incurred under the Indenture, and any proceeds received upon any enforcement action over Sukuk Collateral, if any, will be applied in repayment of all obligations under the Trust Certificates. To the extent any Trust Certificates, which are permitted under the Indenture, are issued after the Issue Date, the Collateral Coordination Agreement will provide for equalization between the Bondholders and the holders of the Trust Certificates in the event that, following such application, the proceeds of enforcement are insufficient to discharge all of the liabilities in respect of both the Bonds and the Trust Certificates. The proceeds from the enforcement of the Bond Collateral may not be sufficient to satisfy the obligations owed to the Bondholders and certain of the Bond Collateral may be released or be subject to certain approvals upon enforcement. See "*Risk Factors—Risks Related to the Bonds and the Bond Collateral—Risks Related to the Bond Collateral—The value of the Bond Collateral securing the Bonds may not be sufficient to satisfy our obligations under the Bonds and the Bond Collateral securing the Bonds may be reduced or diluted under certain circumstances.*" The validity and enforceability of the security interests will be subject to certain limitations. See "*Risk Factors—Risks Related to the Bonds and the Bond Collateral*" and "*Certain Limitations on Validity and Enforceability of Civil Claims and Security Interests.*" The security interests may be released under certain circumstances.

Cash Flows and Collateral Securing the Bonds

On the Issue Date, the obligations of the Issuer under the Bonds will be secured by a security interest over the Issue Date Bond Collateral. Additional collateral will be added to secure the obligations of the Issuer under the Bonds after the Issue Date. As of the date of this Offering Memorandum, ACWA Power is in the process of restructuring NOMAC as described under “*NOMAC Restructuring.*” Following the transfer of shares of NOMAC to NOMAC Holding Company, NOMAC Holding Company (and any other *de minimis* shareholder of NOMAC) will assign to the Onshore Bond Security Agent for the benefit of the Bondholders all dividends that have been approved by the shareholders and are payable from NOMAC. Following the conversion of NOMAC to a closed joint stock company, NOMAC Holding Company (and any other *de minimis* shareholder of NOMAC) will also grant a Saudi law pledge over all of the shares of NOMAC held by NOMAC Holding Company (and any other *de minimis* shareholder of NOMAC) in favor of the Onshore Bond Security Agent for the benefit of the Bondholders. To the extent any Trust Certificates, which are permitted under the Indenture, are issued after the Issue Date, the collateral described above will secure the Bonds, Additional Bonds, if any, and the Trust Certificates on a *pro rata* basis based on the aggregate principal amount of the Bonds and Additional Bonds issued and outstanding and the face amount of any Trust Certificates issued and outstanding. Cash flows from the various companies in the ACWA Power Group will be transferred to the Collection Account. To the extent any Trust Certificates, which are permitted under the Indenture, are issued after the Issue Date, such cash flows will be paid to the Collection Account and the collection account in relation to the Trust Certificates on a *pro rata* basis based on the aggregate principal amount of the Bonds and Additional Bonds, if any, issued and outstanding and the face amount of any Trust Certificates issued and outstanding. See “*Risk Factors—Risks Related to the Bonds and the Bond Collateral—Risks Related to the Bond Collateral—The value of the Bond Collateral securing the Bonds may not be sufficient to satisfy our obligations under the Bonds and the Bond Collateral securing the Bonds may be reduced or diluted under certain circumstances.*”

Assignments of Dividends

APP will assign to the Onshore Bond Security Agent for the benefit of the Bondholders all dividends:

- that have been approved by the shareholders and are payable from its associate RAWEC (the Project Company for the RAWEC IWSPP), in which it holds a 37% ownership interest;
- that have been approved by the shareholders and are payable from its subsidiary Bowarege (the Project Company for the Bowarege IWP), in which it holds a 64.85% ownership interest;
- payable from its wholly owned subsidiary AMWEC, the intermediate holding company that holds a 33.33% ownership interest in another intermediate holding company, SGA Marafiq Holdings W.L.L, which, in turn, holds a 60% ownership interest in JWAP, the Project Company for the Marafiq IWPP; and
- that have been approved by the shareholders and are payable from its subsidiary NOMAC, in which it holds a 99% ownership interest, which will remain in place until such ownership interest is transferred to NOMAC Holding Company.

Shuaibah National Company for Water and Power Limited (“**Shuaibah National Company for Water and Power**”), a direct subsidiary of APP through which APP holds its ownership interests in two Project Companies (SEPCO and SWEC), will assign to the Onshore Bond Security Agent for the benefit of the Bondholders all dividends that have been approved by the shareholders and are payable from its joint venture SAMAWEC, in which it holds a 50% ownership interest. SAMAWEC is an intermediate holding company that holds (i) a 60% ownership interest in SWEC, the Project Company for the Shuaibah IWPP and (ii) a 60% ownership interest in another intermediate holding company, SEHCO, which, in turn, has a 97.5% legal ownership interest (and 100% beneficial ownership interest) in SEPCO, the Project Company for the Shuaibah Expansion IWP.

Shuqaiq Arabian Water and Electricity Company, a direct subsidiary of APP through which APP holds its ownership interests in SQWEC, will assign to the Onshore Bond Security Agent for the benefit of the Bondholders all dividends that have been approved by the shareholders and are payable from Shuqaiq International Water and Electricity Company, in which it holds a 66.67% ownership interest. Shuqaiq International Water and Electricity Company is an intermediate holding company that holds a 60% ownership interest in SQWEC, the Project Company for the Shuqaiq IWPP.

Rabigh Project Company, a direct subsidiary of APP through which APP holds its ownership interests in RABEC, will assign to the Onshore Bond Security Agent for the benefit of the Bondholders all dividends that have been approved by the shareholders and are payable from its joint venture RABEC, the Project Company for the Rabigh IPP, in which it holds a 40% ownership interest.

Qurayyah Project Company, a direct subsidiary of APP through which APP holds its ownership interests in HEPCO, will assign to the Onshore Bond Security Agent for the benefit of the Bondholders all dividends that have been approved by the shareholders and are payable from its joint venture Qurayyah Investment Company, in which it holds a 35% ownership interest. Qurayyah Investment Company is an intermediate holding company that holds a 50% ownership interest in HEPCO, the Project Company for the Qurayyah IPP.

Following the transfer of shares of NOMAC to NOMAC Holding Company (and any other *de minimis* shareholder of NOMAC), NOMAC Holding Company will assign to the Onshore Bond Security Agent for the benefit of the Bondholders all dividends that have been approved by the shareholders and are payable from NOMAC.

NOMAC will assign to the Onshore Bond Security Agent or Offshore Bond Security Agent, as appropriate, for the benefit of the Bondholders:

- all dividends payable from Suez NOMAC O&M Holding Company W.L.L and Jubail Operation Holdings Company W.L.L, in each of which NOMAC holds a 40% ownership interest. Both Suez NOMAC O&M Holding Company W.L.L and Jubail Operations Holdings Company W.L.L have a 50% ownership interest in Jubail O&M Company. Jubail O&M Company is an operation and maintenance contractor for the Marafiq IWPP.
- all dividends that have been approved by the shareholders and are payable from its subsidiary Rabigh Operation and Maintenance Company (operation and maintenance contractor for the Rabigh IPP), in which it holds a 60% ownership interest; and
- all dividends that have been approved by the shareholders and are payable from its subsidiary Rabigh Power Company (operation and maintenance contractor for the RAWEC IWSP), in which it holds a 51% ownership interest.

The majority of these assignment agreements will be governed by the laws of the Kingdom of Saudi Arabia. The assignments by APP in relation to all dividends payable from AMWEC and by NOMAC in relation to all dividends payable from Suez NOMAC O&M Company W.L.L and Jubail Operation Holdings Company W.L.L will be governed by the laws of England and Wales. The assignment agreements envisage that upon the approval of dividends by the respective shareholders if the dividends are not received in the Collection Account within 10 business days, the assignors will execute a further assignment notice in respect of such dividends, effectively attaching the assignment to such dividends to comply with the requirements of Islamic law, which requires that the subject matter of an assignment be in existence at the time of the assignment. Until execution of such further assignment notices in respect of dividends upon their approval by the respective shareholders, the Onshore Bond Security Agent will not obtain a valid and enforceable security interest in such dividends. See *“Risk Factors—Risks Related to DIFC and Saudi Arabian Law—Assignment agreements may not be enforceable under the laws of the Kingdom of Saudi Arabia.”*

To the extent any Trust Certificates, which are permitted under the Indenture, are issued after the Issue Date, the collateral described above will secure the Bonds, Additional Bonds, if any, and the Trust Certificates on a *pro rata* basis based on the aggregate principal amount of the Bonds and Additional Bonds issued and outstanding and the face amount of any Trust Certificates issued and outstanding.

Assignments of Certain Fees

APP will assign to the Onshore Bond Security Agent or Offshore Bond Security Agent, as appropriate, for the benefit of the Bondholders its rights to receive fees from:

- RAWEC (the Project Company for the RAWEC IWSP) under the RAWEC Shareholders' Agreement. If the Bond Collateral and Sukuk Collateral over the shares of APP is enforced, the right to receive this fee will terminate;
- RAWEC under a limestone supply agreement; and
- Rabigh Power Company (operation and maintenance contractor for the RAWEC IWSP) under the shareholders' agreement of Rabigh Power Company. If the Bond Collateral and Sukuk Collateral over the shares of NOMAC is enforced, the right to receive this fee will terminate.

ACWA Power will assign to the Offshore Bond Security Agent for the benefit of the Bondholders its rights to receive fees:

- from NOMAC under a technical services agreement with respect to the Shuaibah IWPP (additional services), RAWEC IWSP and Rabigh 2 IPP; and
- from NOMAC under a technical services agreement with respect to the Shuaibah Expansion IWP, Shuaibah IWPP, Shuqaiq IWPP, Rabigh IPP, Qurayyah IPP and Bowarege IWP.

Rabigh Project Company will assign to the Onshore Bond Security Agent for the benefit of the Bondholders fees it is entitled to receive (management fee and a proportion of the total operation and maintenance fee payable by RABEC, the Project Company for the Rabigh IPP) under the RABEC Shareholders' Agreement. The remaining operation and maintenance fees payable by RABEC under the RABEC Shareholders' Agreement will continue to be received by KEPCO Netherlands B.V.

To the extent any Trust Certificates, which are permitted under the Indenture, are issued after the Issue Date, the collateral described above will secure the Bonds, Additional Bonds, if any, and the Trust Certificates on a *pro rata* basis based on the aggregate principal amount of the Bonds and Additional Bonds issued and outstanding and the face amount of any Trust Certificates issued and outstanding.

In order to give effect to the foregoing, each of ACWA Power, APP and Rabigh Project Company will irrevocably request from (via notices under the Bond Security Documents) the entities referred to above that are paying fees to them that such entities will pay any such future fees directly to the Collection Account. To the extent any Trust Certificates, which are permitted under the Indenture, are issued after the Issue Date, such fees will be paid to the Collection Account and the collection account in relation to the Trust Certificates on a *pro rata* basis based on the aggregate principal amount of the Bonds and Additional Bonds, if any, issued and outstanding and the face amount of any Trust Certificates issued and outstanding. Each relevant entity paying the fees will agree to pay its fees to the Collection Account until such entity receives written notice from the Onshore Bond Security Agent or Offshore Bond Security Agent, as appropriate.

Pursuant to certain contractual arrangements, APP's rights to receive fees pursuant to the RAWEC Project Company's Shareholders Agreement and the Rabigh Power Company's Shareholders Agreement, each of which is assigned for the benefit of the Bondholders pursuant to an English law assignment agreement, shall each terminate upon enforcement of the Saudi law share pledge over APP and the Saudi law share pledge over NOMAC.

Assignment of Rights under Shareholder Loans

We will assign our right to repayment of any monies we advance to APP or the Restricted Companies to the Onshore Bond Security Agent for the benefit of the Bondholders pursuant to a Saudi law assignment agreement. In addition, ACWA Power will assign to the Onshore Bond Security Agent for the benefit of the Bondholders its rights to repayment under any shareholder financing arrangements (other than in the form of a subscription for shares provided the same does not give rise to any indebtedness) provided by ACWA Power to APP or the Restricted Companies pursuant to a Saudi law assignment of shareholder financing agreement. To the extent any shareholder financing arrangements (other than in the form of subscriptions for shares provided the same does not give rise to any indebtedness) provided by ACWA Power to APP or the Restricted Companies, that are in existence on the Issue Date are not provided in an Islamic law compliant manner, they shall be converted to such an Islamic law compliant instrument on or prior to the Issue Date and assigned by way of security pursuant to the Saudi law assignment of shareholder funding agreement.

To the extent any Trust Certificates, which are permitted under the Indenture, are issued after the Issue Date, the collateral described above will secure the Bonds, Additional Bonds, if any, and the Trust Certificates on a *pro rata* basis based on the aggregate principal amount of the Bonds and Additional Bonds issued and outstanding and the face amount of any Trust Certificates issued and outstanding.

Pledges over Shares

The obligations of the Issuer under the Bonds will be secured by:

- a pledge over all of our shares held by ACWA Power in favor of the Offshore Bond Security Agent for the benefit of the Bondholders;
- a pledge over all of APP's shares held by ACWA Power (98.15% of APP's shares) and its affiliates (KAHROMAA, Multiple Shares Company, Projects Acquisition Company and Shuqaiq Arabian Water and Electricity Company, which together own the remaining 1.85% of APP's shares) in favor of the Onshore Bond Security Agent for the benefit of the Bondholders; and
- following the completion of the NOMAC Obligations, a pledge over 100% of NOMAC JSC's shares held by NOMAC Holding Company (and any other *de minimis* shareholder of NOMAC) in favor of the Onshore Bond Security Agent for the benefit of the Bondholders.

To the extent any Trust Certificates, which are permitted under the Indenture, are issued after the Issue Date, the collateral described above will secure the Bonds, Additional Bonds, if any, and the Trust Certificates on a *pro rata* basis based on the aggregate principal amount of the Bonds and Additional Bonds issued and outstanding and the face amount of any Trust Certificates issued and outstanding.

The ability to transfer APP's or NOMAC's shares following enforcement by the Onshore Bond Security Agent of its rights under the relevant share pledge may in certain instances be subject to negotiations with certain counterparties (including offtakers and/or export credit agencies) in respect of the technical qualifications of the new shareholder. Certain export credit agencies have linked their funding to a given Project to shareholders that satisfy their policy requirements and other criteria. The agencies may wish to apply those criteria at the time of a share transfer resulting from a share pledge enforcement. Similarly, offtakers may want to make sure that an operator that is no longer a part of the ACWA Power Group meets the requirements necessary to operate the given plant. Offtakers may wish to consider the experience of the proposed operator at the time of the share transfer. See *"Risk Factors—Risks Related to the Bonds and the Bond Collateral—Risks Related to the Bond Collateral—The ability to transfer APP's or NOMAC's shares following enforcement by the Onshore Bond Security Agent of its rights under the relevant share pledge may in certain instances be subject to negotiations with certain counterparties in respect of the technical qualifications of the new shareholder."*

Pledges over Bank Accounts

The Bondholders will also benefit from the pledge over the Debt Service Reserve Account, the Collection Account, the Redemption Account and the Eligible Investments pursuant to a DIFC law security agreement.

Irrevocable Instruction to Deposit Money to the Account of the Issuer

By irrevocable instructions contained in the notices given and acknowledged or received under the Bond Security Documents (i) from APP to Bowarege, RAWEC and AMWEC (ii) from Shuaibah National Company for Water and Power to SAMAWEC (iii) from Shuqaiq Arabian Water and Electricity Company to Shuqaiq International Water and Electricity Company, (iv) from Rabigh Project Company to RABEC, (v) from Qurayyah Project Company to Qurayyah Investment Company, (vi) from APP to NOMAC and, after the transfer of shares of NOMAC to NOMAC Holding Company, from NOMAC Holding Company (and any other *de minimis* shareholder of NOMAC) to NOMAC, and (vii) from NOMAC to Suez NOMAC O&M Holding Company W.L.L, Jubail Operation Holdings Company W.L.L, Rabigh Operation and Maintenance Company and Rabigh Power Company, all dividends payable by the receivers of such irrevocable instructions will be deposited into the Collection Account. In addition, by irrevocable instruction from (i) APP to RAWEC (with respect to two agreements) and Rabigh Power Company, (ii) ACWA Power to NOMAC and (iii) Rabigh Project Company to RABEC, certain fees payable by the receivers of such irrevocable instructions that are described in *"—Assignments of Certain Fees"* above, will be deposited into the Collection Account. To the extent any Trust Certificates, which are permitted under the Indenture, are issued after the Issue Date, such fees will be paid to the Collection Account and the collection account in relation to the Trust Certificates on a *pro rata* basis based on the aggregate principal amount of the Bonds and Additional Bonds, if any, issued and outstanding and the face amount of any Trust Certificates issued and outstanding. See *"Description of the Bonds—Accounts—Deposits of Funds into the Collection Account."* During such time as there are amounts owing to NOVA from SGA Marafiq Holding W.L.L under certain affiliate loans, there will be an irrevocable payment undertaking in place from NOVA in relation to all dividends due to be paid to APGS by NOVA and APGS's 33.33% share of all affiliate loan repayments received by NOVA from SGA Marafiq Holding W.L.L.

Summary of NOMAC Restructuring

As of the date of this Offering Memorandum, the ACWA Power Group is in the process of restructuring NOMAC's operations, subject to receiving all required lender and shareholder consents and governmental authorizations. A new company incorporated as a limited liability company under the laws of the Kingdom of Saudi Arabia, a wholly owned subsidiary of ACWA Power ("**NOMAC Holding Company**"), has been created to own a controlling share of the capital of a number of existing and yet to be created entities. In connection with the NOMAC Restructuring, all of NOMAC's non-Saudi operations will be transferred from NOMAC to NOMAC DIFC or, where this is not possible, such companies will issue shares to NOMAC DIFC such that NOMAC's shareholdings in these companies will become *de minimis*. The transfer of NOMAC's non-Saudi operations is subject to lender and shareholder consents and governmental authorizations. We cannot provide any assurance as to timing of receipt of all required consents and authorizations related to the transfer of the NOMAC non-Saudi operations. See *"Risk Factors—Risks Related to the APP Group, Projects and NOMAC—The NOMAC Restructuring is subject to third party consents and approvals and we can provide no assurance that it will be completed."*

Following the transfer of shares of NOMAC to NOMAC Holding Company, NOMAC will no longer be a subsidiary of APP and will become a subsidiary of NOMAC Holding Company, which, in turn, is owned by ACWA Power. The consideration for this transfer will equal the net book value of NOMAC on the date of disposal and may be materially different from the amounts shown in the 2016 Special-Purpose Financial Statements which is included in this Offering Memorandum. See *"NOMAC Restructuring."*

Following the transfer of shares of NOMAC to NOMAC Holding Company, NOMAC's results of operations will no longer be reflected in the future consolidated financial statements of the APP Group. NOMAC will prepare consolidated financial statements reflecting the results of operations in respect of services provided to SEPCO, JWAP, SQWEC, RABEC, HEPCO, RAWEC and Bowarege (but excluding SWEC, the Project Company for the Shuaibah IWPP) and MEPCO. Operation and maintenance services to the Shuaibah IWPP will be provided by a different newly created entity, which will be a subsidiary of NOMAC Holding Company and which will not be assigning any fees or dividends for the benefit of the Bondholders.

Recent Developments

This section describes material recent developments in respect of the APP Group and the Project Companies since December 31, 2016.

ACWA Power has entered into an agreement with Apicorp, under which Apicorp agreed to acquire 13.3% of the shares of Shuqaiq International Water and Electricity Company. The 13.3% stake in Shuqaiq International Water and Electricity Company gives Apicorp an 8% effective ownership stake in SQWEC. The closing of this transaction is subject to customary approvals and is expected to occur in the second quarter of 2017.

The dispute between SEPCO, SWEC and SQWEC on the one side and WEC, the offtaker for the Shuaibah Expansion IWP, Shuaibah IWPP and Shuqaiq IWPP, on the other side with respect to inflation indexation provisions in the SEPCO WPA, SWEC PWPA and SQWEC PWPA remains unresolved. The dispute between HEPCO and SEC (the offtaker for the Qurayyah IPP) with respect to the Project's commercial operation date of the Qurayyah IPP also remains unresolved. SEC and HEPCO remain in discussions with respect to this dispute. For more information on these two disputes, see "*Description of the Projects and NOMAC's Operations—Legal Proceedings and Disputes.*"

SWEC's SAR 93,750,000 working capital facility with Arab National Bank has been renewed with a new bank (Alawal Bank) and the amount made available to SWEC under this new working capital facility has been increased to SAR 180,000,000. This facility has a tenor of one year and is due in February 2018.

On March 29, 2017, HEPCO entered into a facility agreement with Gulf International Bank B.S.C. (Riyadh Branch) with respect to a working capital facility in the amount of up to US\$40 million (SAR 150 million). The termination date of the facility is June 27, 2017.

On February 16, 2017, RAWEC entered into a common terms agreement with respect to an equity bridge loan facility with a tenor of one year. The facility consists of (i) a term loan facility (base equity facility A) in the amount of US\$38.8 million to be provided by Mizuho Bank Ltd., (ii) a term loan facility (base equity facility B) in the amount of US\$38.8 million to be provided by The Bank of Tokyo Mitsubishi UFJ, Ltd., (iii) a revolving loan facility (customs duties facility A) in the amount of US\$1.2 million to be provided by Mizuho Bank Ltd. and (iv) a revolving loan facility (customs duties facility B) in the amount of US\$1.2 million to be provided by The Bank of Tokyo Mitsubishi UFJ, Ltd. Marubeni Corporation acts as the facility A sponsor guarantor and the facility B sponsor guarantor. The purpose of the equity bridge loan facility is to provide an equity bridge loan to RAWEC to reimburse amounts paid by RAWEC to fund the development, construction and operation of the RAWEC Phase II Facilities.

In the 2016 Special-Purpose Financial Statements, an amount of SAR 490 million was classified as advance against share capital under equity as per shareholders' resolution dated November 30, 2016. This amount was converted to share capital in February 2017. As a result, ACWA Power's direct ownership of the shares of APP increased from 97.49% to 98.15%.

In the end of April 2017, ACWA Power completed the restructuring of its shareholdings in MEPCO. Following the transfer of shares of Rabigh Expansion Company from APP to a wholly owned subsidiary of ACWA Power, APP no longer has any ownership interest in MEPCO and, therefore, has no share in net income or net loss of MEPCO. The APP Group's share in net loss of MEPCO amounted to SAR 353 thousand, SAR 478 thousand and SAR 152 thousand in 2014, 2015 and 2016, respectively.

Since December 31, 2016, the Restricted Companies and the Project Companies have entered into related party transactions substantially similar in scope and amount to those entered into in the corresponding period of 2015.

SUMMARY OF SELECTED FINANCIAL INFORMATION AND OPERATIONAL KPIS

Since we are a newly incorporated company without significant operations, we do not have any historical financial statements and we do not present any of our financial statements in this Offering Memorandum. Going forward, we will be preparing standalone financial statements in accordance with IFRS.

The following tables present certain summary historical consolidated financial data of the APP Group, the NOMAC Group and the Project Companies. The APP Group special-purpose consolidated financial statement data as of and for the year ended December 31, 2014 has been derived from the 2014 Special-Purpose Financial Statements included elsewhere in this Offering Memorandum.

Two sets of APP Group special-purpose consolidated financial statements data as of and for the year ended December 31, 2015 are used in this Offering Memorandum. The first one comes from the 2015 Special-Purpose Financial Statements and the second one comes from the 2016 Special-Purpose Financial Statements, both of which are included elsewhere in this Offering Memorandum. The reason why we believe that both sets of numbers are useful for the potential investors and are, therefore, included in this Offering Memorandum is because of the proposed NOMAC Restructuring. As a result of this restructuring, the balances and results of operations of the NOMAC Group are classified as a disposal group in the 2016 Special-Purpose Financial Statements. Therefore, to allow potential investors to make meaningful comparisons between the APP Group's results of operations in 2014 and 2015, we use data from the 2015 Special-Purpose Financial Statements, in which the results of operations of the NOMAC Group are not treated as discontinued operations of the APP Group, in the "Summary," "Selected Historical Financial and Other Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections of the Offering Memorandum. However, to allow potential investors to make meaningful comparisons between the APP Group's results of operations in 2015 and 2016, we use data from the 2016 Special-Purpose Financial Statements, in which the results of operations of the NOMAC Group are treated as discontinued operations of the APP Group, in the same sections of the Offering Memorandum. In each case when special-purpose consolidated financial statements data of the APP Group as of and for the year ended December 31, 2015 is used in this Offering Memorandum, we state from which financial statements such data is extracted.

The APP Group special-purpose consolidated financial statement data as of and for the year ended December 31, 2016 has been derived from the 2016 Special-Purpose Financial Statements included elsewhere in this Offering Memorandum.

APP holds (directly or indirectly) a minority stake in each of the Project Companies except Bowarege, which is APP's consolidated subsidiary. APP Group's investments in the Project Companies other than Bowarege are accounted for using the equity method of accounting.

NOMAC is a subsidiary of APP and its results of operations are included in the Financial Statements. The NOMAC Group's results of operations reflect not only the operation and maintenance services provided by it, its two subsidiaries and one joint venture to eight Projects in the Kingdom of Saudi Arabia, but also operation and maintenance services provided by it, its subsidiaries and joint ventures to other projects of the ACWA Power Group located in a number of countries outside of the Kingdom of Saudi Arabia. For information relating to the special-purpose consolidated statement of income data for the NOMAC Group (after intragroup eliminations) for the years ended December 31, 2015 and 2016 extracted from the 2016 Special-Purpose Financial Statements, see "*—Summary Consolidated Financial Information of the APP Group.*"

For summary information relating to the NOMAC Group's revenue, costs and other line items attributable to its operations in the Kingdom of Saudi Arabia, to the Shuaibah IWPP, to its operations outside of the Kingdom of Saudi Arabia and management's estimate of elimination and unallocated corporate items during the years ended December 31, 2015 and 2016, see "*—Additional Summary Consolidated Financial Information of the NOMAC Group.*" The information has been derived from the Financial Statements and accounting records of the APP Group.

The summary historical financial data of the APP Group is presented in Saudi riyals and, unless otherwise specified, is derived from the Financial Statements included elsewhere in this Offering Memorandum.

The consolidated financial statement data set out in the following tables should be read in conjunction with "*Presentation of Financial and Other Information,*" "*Use of Proceeds,*" "*Capitalization,*" "*Management's Discussion and Analysis of Financial Condition and Results of Operations,*" "*Description of Certain Other Financing Arrangements of Restricted Companies,*" "*Description of Certain Other Financing Arrangements of Project Companies,*" "*NOMAC Restructuring*" and "*Selected Historical Financial and Other Information,*" as well as the Financial Statements, together with the notes thereto, included in the F-pages of this Offering Memorandum.

Summary Consolidated Financial Information of the APP Group

The summary consolidated financial information set forth below shows the APP Group's historical special-purpose consolidated financial information as of and for the years ended December 31, 2014, 2015 and 2016.

Summary Special-Purpose Consolidated Statement of Income Data of the APP Group

The following table sets forth special-purpose consolidated statement of income data for the APP Group for the years ended December 31, 2014 and 2015 extracted from the 2014 Special-Purpose Financial Statements and the 2015 Special-Purpose Financial Statements, respectively. For the year ended December 31, 2015, the NOMAC Group is not treated as discontinued operations of the APP Group.

	YEAR ENDED DECEMBER 31,	
	2014	2015
	(in SAR thousand)	
Revenue	717,892	1,201,112
Operating costs	(493,855)	(871,157)
Gross profit	224,037	329,955
Share in net income of an associate and joint ventures	364,348	300,525
Development expenses	(4,902)	(158)
General and administration expenses	(135,763)	(165,597)
Income from main operations	447,720	464,725
Write-off of property, plant and equipment	—	n/a
Other income	66,956	10,973
Financial charges	(27,387)	(27,532)
Income before zakat, tax and minority interests	487,289	448,166
Zakat and tax	(6,926)	(18,981)
Income before minority interests	480,363	429,185
Minority interests	(36,793)	(20,015)
Net income for the year	443,570	409,170

The APP Group prepares its financial statements in Saudi riyals. Solely for the convenience of potential investors, the financial information in the table above is also presented in U.S. dollars in the table below, converted at the exchange rate of US\$1 = SAR 3.75. See "Presentation of Financial and Other Information—Financial Information—U.S. Dollar Exchange Rate Convenience Translation."

	YEAR ENDED DECEMBER 31,	
	2014	2015
	(in US\$ thousand)	
Revenue	191,438	320,297
Operating costs	(131,695)	(232,309)
Gross profit	59,743	87,988
Share in net income of associates and joint ventures	97,159	80,140
Development expenses	(1,307)	(42)
General and administration expenses	(36,203)	(44,159)
Income from main operations	119,392	123,927
Write-off of property, plant and equipment	—	n/a
Other income	17,855	2,926
Financial charges	(7,303)	(7,342)
Income before zakat, tax and minority interests	129,944	119,511
Zakat and tax	(1,847)	(5,062)
Income before minority interests	128,097	114,449
Minority interests	(9,811)	(5,337)
Net income for the year	118,285	109,112

The following table sets forth special-purpose consolidated statement of income data for the APP Group for the years ended December 31, 2015 and 2016 extracted from the 2016 Special-Purpose Financial Statements. For the year ended December 31, 2015, the NOMAC Group is treated as discontinued operations of the APP Group.

	YEAR ENDED DECEMBER 31,	
	2015	2016
	(in SAR thousand)	
Continuing operations		
Revenue	143,187	151,517
Operating costs	(41,638)	(40,719)
Gross profit	101,549	110,798
Share in net income of an associate and joint ventures	285,422	343,771
Development expenses	(158)	—
General and administration expenses	(32,451)	(33,115)
Income from main operations	354,362	421,454
Other income	11,064	55,678
Financial charges	(23,457)	(28,942)
Income before zakat, tax and minority interests	341,969	448,190
Zakat and tax	(2,850)	(1,484)
Income before minority interests and income from discontinued operations	339,119	446,706
Discontinued operations		
Income before minority interests and after tax for the year from discontinued operations	90,066	138,352
	429,185	585,058
Minority interests	(20,015)	(25,303)
Net income for the year	409,170	559,755

The APP Group prepares its financial statements in Saudi riyals. Solely for the convenience of potential investors, the financial information in the table above is also presented in U.S. dollars in the table below, converted at the exchange rate of US\$1 = SAR 3.75. See “*Presentation of Financial and Other Information—Financial Information—U.S. Dollar Exchange Rate Convenience Translation.*”

	YEAR ENDED DECEMBER 31,	
	2015	2016
	(in US\$ thousand)	
Continuing operations		
Revenue	38,183	40,405
Operating costs	(11,103)	(10,858)
Gross profit	27,080	29,546
Share in net income of an associate and joint ventures	76,113	91,672
Development expenses	(42)	—
General and administration expenses	(8,654)	(8,831)
Income from main operations	94,497	112,388
Other income	2,950	14,847
Financial charges	(6,255)	(7,718)
Income before zakat, tax and minority interests	91,192	119,517
Zakat and tax	(760)	(396)
Income before minority interests and income from discontinued operations	90,432	119,122
Discontinued operations		
Income before minority interests and after tax for the year from discontinued operations	24,018	36,894
	114,449	156,015
Minority interests	(5,337)	(6,747)
Net income for the year	109,112	149,268

The following table sets forth the consolidated statement of income data for the NOMAC Group (after intragroup eliminations) for the years ended December 31, 2015 and 2016 extracted from note 26 (Discontinued Operations) of the 2016 Special-Purpose Financial Statements of the APP Group.

	YEAR ENDED DECEMBER 31,	
	2015	2016
	(in SAR thousand)	
Revenue	1,014,645	1,062,145
Direct costs	(803,989)	(808,145)
Gross profit	210,656	254,000
General and administration expenses	(118,645)	(140,522)
Income from main operations	92,011	113,478
Share of net income in associates and a joint venture	15,845	37,186
Other income	297	2,800
Financial charges	(4,075)	(2,108)
Income before zakat, tax and minority interest	104,078	151,356
Zakat and tax	(14,012)	(13,004)
Income before minority interest	90,066	138,352
Minority interests	(8,604)	(9,755)
Net income for the year	81,462	128,597

The APP Group prepares its financial statements in Saudi riyals. Solely for the convenience of potential investors, the financial information in the table above is also presented in U.S. dollars in the table below, converted at the exchange rate of US\$1 = SAR 3.75. See “*Presentation of Financial and Other Information—Financial Information—U.S. Dollar Exchange Rate Convenience Translation.*”

	YEAR ENDED DECEMBER 31,	
	2015	2016
	(in US\$ thousand)	
Revenue	270,572	283,239
Direct costs	(214,397)	(215,505)
Gross profit	56,175	67,733
General and administration expenses	(31,639)	(37,473)
Income from main operations	24,536	30,261
Share of net income in associates and a joint venture	4,225	9,916
Other income	79	747
Financial charges	(1,087)	(562)
Income before zakat, tax and minority interest	27,754	40,362
Zakat and tax	(3,737)	(3,468)
Income before minority interest	24,018	36,894
Minority interests	(2,294)	(2,601)
Net income for the year	21,723	34,293

Summary Special-Purpose Consolidated Balance Sheet Data of the APP Group

The following table sets forth certain summary special-purpose consolidated balance sheet data of the APP Group as of December 31, 2014 and 2015 extracted from the 2014 Special-Purpose Financial Statements and the 2015 Special-Purpose Financial Statements, respectively.

	AS OF DECEMBER 31, 2014	AS OF DECEMBER 31, 2015
	(in SAR thousand)	
ASSETS		
Current Assets	668,828	986,135
<i>including</i>		
Bank balances and cash	188,159	253,454
Due from related parties	253,158	378,320
Non-Current Assets	1,920,254	1,566,081
<i>including</i>		
Due from related parties	237,868	—
Investments in associates and joint ventures	611,804	1,352,602
Advances for investment ⁽¹⁾	849,345	—
Property, plant and equipment	195,349	178,269
Total Assets	2,587,082	2,552,216
LIABILITIES AND EQUITY		
Current Liabilities	803,673	423,907
<i>including</i>		
Accounts payable and accruals	245,769	366,551
Current portion of long-term loans and facilities	58,143	46,433
Due to related parties	492,332	—
Non-Current Liabilities	1,209,141	967,978
<i>including</i>		
Due to related parties	687,845	455,330
Long term loans and facilities	420,345	383,372
Total Liabilities	2,012,814	1,391,885
Total equity	574,268	1,160,331
Total Liabilities and Equity	2,587,082	2,552,216

Note:

- (1) This mainly represented advances of SAR 849.3 million by the APP Group to SGA Marafiq Holding W.L.L, Qurayyah Investment Company and SAMAWEC to fund repayment of the bridge loans of JWAP, HEPCO and SEPCO, respectively (the ultimate investee companies). These advances did not carry any special commission and had no fixed repayment date.

Solely for the convenience of potential investors, the financial information in the table above is also presented in U.S. dollars in the table below, converted at the exchange rate of US\$1 = SAR 3.75. See “Presentation of Financial and Other Information—Financial Information—U.S. Dollar Exchange Rate Convenience Translation.”

	AS OF DECEMBER 31, 2014	AS OF DECEMBER 31, 2015
	(in US\$ thousand)	
ASSETS		
Current Assets	178,354	262,969
<i>including</i>		
Bank balances and cash	50,176	67,588
Due from related parties	67,509	100,885
Non-Current Assets	512,068	417,622
<i>including</i>		
Due from related parties	63,431	—
Investments in associates and joint ventures	163,148	360,694
Advances for investment ⁽¹⁾	226,492	—
Property, plant and equipment	52,093	47,538
Total Assets	689,889	680,591
LIABILITIES AND EQUITY		
Current Liabilities	214,313	113,042
<i>including</i>		
Accounts payable and accruals	65,538	97,747
Current portion of long-term loans and facilities	15,505	12,382
Due to related parties	131,289	—
Non-Current Liabilities	322,438	258,127
<i>including</i>		
Due to related parties	183,425	121,421
Long term loans and facilities	112,092	102,233
Total Liabilities	536,750	371,169
Total equity	153,138	309,422
Total Liabilities and Equity	689,889	680,591

Note:

(1) This mainly represented advances of US\$226.5 million (SAR 849.3 million equivalent) by the APP Group to SGA Marafiq Holding W.L.L, Qurayyah Investment Company and SAMAWEC to fund repayment of the bridge loans of JWAP, HEPCO and SEPCO, respectively (the ultimate investee companies). These advances did not carry any special commission and had no fixed repayment date.

The following table sets forth certain summary special-purpose consolidated balance sheet data for the APP Group as of December 31, 2015 and 2016 extracted from the 2016 Special-Purpose Financial Statements.

	AS OF DECEMBER 31, 2015 ⁽¹⁾	AS OF DECEMBER 31, 2016
	(in SAR thousand)	
ASSETS		
Current Assets	987,898	1,324,358
<i>including</i>		
Bank balances and cash	253,454	181,960
Due from related parties	378,320	66,287
Assets held for sale ⁽²⁾	—	1,024,727
Non-Current Assets	1,601,943	2,196,427
<i>including</i>		
Due from related parties	37,625	347,554
Investments in associates and joint ventures	1,350,839	1,644,840
Property, plant and equipment	178,269	139,973
Total Assets	2,589,841	3,520,785
LIABILITIES AND EQUITY		
Current Liabilities	461,532	755,373
<i>including</i>		
Accounts payable and accruals	404,176	8,162
Short-term facilities	—	15,000
Current portion of long term loans and facilities	46,433	57,025
Liabilities associated with the assets held for sale ⁽³⁾	—	673,404
Non-Current Liabilities	967,978	465,847
<i>including</i>		
Due to related parties	455,330	112,194
Long term loans and facilities	383,372	322,459
Total Liabilities	1,429,510	1,221,220
Total Equity	1,160,331	2,299,565
Total Liabilities and Equity	2,589,841	3,520,785

Note:

(1) Due from related parties and accounts payable and accruals as of December 31, 2015 in the 2015 Special-Purpose Financial Statements (nil and SAR 366,551 thousand, respectively) were reclassified in the 2016 Special-Purpose Financial Statements to (SAR 37,625 thousand and SAR 404,176 thousand, respectively). The financial information presented in this column as of December 31, 2015 is derived from the 2016 Special-Purpose Financial Statements.

(2) Total assets of the NOMAC Group.

(3) Total liabilities of the NOMAC Group.

The APP Group prepares its financial statements in Saudi riyals. Solely for the convenience of potential investors, the financial information in the table above is also presented in U.S. dollars in the table below, converted at the exchange rate of US\$1 = SAR 3.75. See “*Presentation of Financial and Other Information—Financial Information—U.S. Dollar Exchange Rate Convenience Translation.*”

	AS OF DECEMBER 31, 2015 ⁽¹⁾	AS OF DECEMBER 31, 2016
	(in US\$ thousand)	
ASSETS		
Current Assets	263,439	353,162
<i>including</i>		
Bank balances and cash	67,588	48,523
Due from related parties	100,885	17,677
Assets held for sale ⁽²⁾	—	273,261
Non-Current Assets	427,185	585,714
<i>including</i>		
Due from related parties	10,033	92,681
Investments in associates and joint ventures	360,224	438,624
Property, plant and equipment	47,538	37,326
Total Assets	<u>690,624</u>	<u>938,876</u>
LIABILITIES AND EQUITY		
Current Liabilities	123,075	201,433
<i>including</i>		
Accounts payable and accruals	107,780	2,177
Short-term facilities	—	4,000
Current portion of long term loans and facilities	12,382	15,207
Liabilities associated with the assets held for sale ⁽³⁾	—	179,574
Non-Current Liabilities	258,127	124,226
<i>including</i>		
Due to related parties	121,421	29,918
Long term loans and facilities	102,233	85,989
Total Liabilities	381,203	325,659
Total Equity	309,422	613,217
Total Liabilities and Equity	<u>690,624</u>	<u>938,876</u>

Note:

(1) Due from related parties and accounts payable and accruals as of December 31, 2015 in the 2015 Special-Purpose Financial Statements (nil and SAR 366,551 thousand (US\$97,747 thousand), respectively) were reclassified in the 2016 Special-Purpose Financial Statements to SAR 37,625 thousand (US\$10,033 thousand) and SAR 404,176 thousand (US\$107,780 thousand), respectively. The financial information presented in this column as of December 31, 2015 is derived from the 2016 Special-Purpose Financial Statements.

(2) Total assets of the NOMAC Group.

(3) Total liabilities of the NOMAC Group.

For certain selected special-purpose consolidated balance sheet data for the NOMAC Group (after intragroup eliminations) as of December 31, 2016 extracted from the 2016 Special-Purpose Financial Statements, see “*Selected Historical Financial and Other Information—Selected Consolidated Information of the APP Group—Special-Purpose Consolidated Balance Sheet Data of the APP Group.*”

Summary Special-Purpose Consolidated Statement of Cash Flows Data of the APP Group

The following table sets forth certain summary special-purpose consolidated statement of cash flows data for the APP Group for the years ended December 31, 2014 and 2015 extracted from the 2014 Special-Purpose Financial Statements and 2015 Special-Purpose Financial Statements, respectively.

	YEAR ENDED DECEMBER 31,	
	2014	2015
	(in SAR thousand)	
Cash and cash equivalents at beginning of the year	138,036	188,159
Net cash from operating activities	498,975	216,411
Net cash from investing activities	94,326	405,511
Net cash used in financing activities	(574,017)	(556,627)
Increase in cash and cash equivalents	19,284	65,295
Cash acquired from acquisition of a subsidiary	30,839	—
Cash and cash equivalents at end of the year	188,159	253,454

Solely for the convenience of potential investors, the financial information in the table above is also presented in U.S. dollars in the table below, converted at the exchange rate of US\$1 = SAR 3.75. See “*Presentation of Financial and Other Information—Financial Information—U.S. Dollar Exchange Rate Convenience Translation.*”

	YEAR ENDED DECEMBER 31,	
	2014	2015
	(in US\$ thousand)	
Cash and cash equivalents at beginning of the year	36,810	50,176
Net cash from operating activities	133,060	57,710
Net cash from investing activities	25,154	108,136
Net cash used in financing activities	(153,071)	(148,434)
Increase in cash and cash equivalents	5,142	17,412
Cash acquired from acquisition of a subsidiary	8,224	—
Cash and cash equivalents at end of the year	50,176	67,588

The following table sets forth certain summary special-purpose consolidated statement of cash flows data for the APP Group for the years ended December 31, 2015 and 2016 extracted from the 2016 Special-Purpose Financial Statements.

	YEAR ENDED DECEMBER 31,	
	2015	2016
	(in SAR thousand)	
Bank balances and cash at beginning of the year	188,159	253,454
Net cash from operating activities	254,036	314,445
Net cash from investing activities	405,511	89,030
Net cash used in financing activities	(594,252)	(282,731)
Increase in bank balances and cash	65,295	120,744
Bank balances and cash associated with discontinued operations	—	(192,238)
Bank balances and cash at end of the year	253,454	181,960

The APP Group prepares its financial statements in Saudi riyals. Solely for the convenience of potential investors, the financial information in the table above is also presented in U.S. dollars in the table below, converted at the exchange rate of US\$1 = SAR 3.75. See “*Presentation of Financial and Other Information—Financial Information—U.S. Dollar Exchange Rate Convenience Translation.*”

	YEAR ENDED DECEMBER 31,	
	2015	2016
	(in US\$ thousand)	
Bank balances and cash at beginning of the year	50,176	67,588
Net cash from operating activities	67,743	83,852
Net cash from investing activities	108,136	23,741
Net cash used in financing activities	(158,467)	(75,395)
Increase in bank balances and cash	17,412	32,198
Bank balances and cash associated with discontinued operations	—	(51,263)
Bank balances and cash at end of the year	67,588	48,523

For certain selected special-purpose consolidated cash flows data for the NOMAC Group (after intragroup eliminations) for the year ended December 31, 2016 extracted from the 2016 Special-Purpose Financial Statements, see “*Selected Historical Financial and Other Information—Selected Consolidated Information of the APP Group—Special-Purpose Consolidated Statement of Cash Flows Data of the APP Group.*”

Additional Summary Consolidated Financial Information of the NOMAC Group

The following tables set out the NOMAC Group’s revenue, costs and other line items attributable to its operations in the Kingdom of Saudi Arabia (other than at the Shuaibah IWPP), at the Shuaibah IWPP and outside of the Kingdom of Saudi Arabia, as well as management’s estimate of elimination and unallocated corporate items during the years ended December 31, 2015 and 2016. The information has been derived from the Financial Statements and accounting records of the APP Group.

This financial information should be read together with the information included under the headings “*Presentation of Financial and Other Information,*” “*Use of Proceeds,*” “*NOMAC Restructuring,*” “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” and “*Selected Historical Financial and Other Information*” as well as the Financial Statements, together with the notes thereto, included in the F-pages of this Offering Memorandum.

	YEAR ENDED DECEMBER 31, 2015				YEAR ENDED DECEMBER 31, 2015
	INTERNATIONAL OPERATIONS	SHUAIBAH IWPP	OTHER SAUDI PROJECTS	ELIMINATION & UNALLOCATED CORPORATE	
	(in SAR thousand)				
Revenue	373,068	57,132	673,382	2,078	1,105,660
Direct costs	(279,663)	(76,671)	(500,148)	(997)	(857,479)
Gross profit/(loss)	93,405	(19,539)	173,234	1,081	248,181
General and administration expenses	(16,781)	(8,851)	(74,553)	(26,482)	(126,667)
Income/(loss) from main operations	76,624	(28,390)	98,681	(25,401)	121,514
Share in net income in associates and a joint venture	353	—	15,492	—	15,845
Other income	6	78	213	—	297
Financial charges	(2,223)	—	(1,852)	—	(4,075)
Income/(loss) before zakat, tax and minority interest	74,760	(28,312)	112,534	(25,401)	133,581
Zakat and tax	(9,316)	—	(4,696)	—	(14,012)
Income/(loss) before minority interest	65,444	(28,312)	107,838	(25,401)	119,569
Minority interest	(1,921)	—	(6,683)	—	(8,604)
Net income/(loss) for the year	63,523	(28,312)	101,155	(25,401)	110,965

Solely for the convenience of potential investors, the financial information in the table above is also presented in U.S. dollars in the table below, converted at the exchange rate of US\$1 = SAR 3.75. See "Presentation of Financial and Other Information—Financial Information—U.S. Dollar Exchange Rate Convenience Translation."

	YEAR ENDED DECEMBER 31, 2015				YEAR ENDED DECEMBER 31, 2015
	INTERNATIONAL OPERATIONS	SHUAIBAH IWPP	OTHER SAUDI PROJECTS	ELIMINATION & UNALLOCATED CORPORATE	
	(in US\$thousand)				
Revenue	99,485	15,235	179,569	554	294,843
Direct costs	(74,577)	(20,446)	(133,373)	(266)	(228,661)
Gross profit/(loss)	24,908	(5,210)	46,196	288	66,182
General and administration expenses	(4,475)	(2,360)	(19,881)	(7,062)	(33,778)
Income/(loss) from main operations	20,433	(7,571)	26,315	(6,774)	32,404
Share in net income in associates and a joint venture	94	—	4,131	—	4,225
Other income	2	21	57	—	79
Financial charges	(593)	—	(494)	—	(1,087)
Income/(loss) before zakat, tax and minority interest	19,936	(7,550)	30,009	(6,774)	35,622
Zakat and tax	(2,484)	—	(1,252)	—	(3,737)
Income/(loss) before minority interest	17,452	(7,550)	28,757	(6,774)	31,885
Minority interest	(512)	—	(1,782)	—	(2,294)
Net income/(loss) for the year	16,939	(7,550)	26,975	(6,774)	29,591

	YEAR ENDED DECEMBER 31, 2016				YEAR ENDED DECEMBER 31, 2016
	INTERNATIONAL OPERATIONS	SHUAIBAH IWPP	OTHER SAUDI PROJECTS	ELIMINATION & UNALLOCATED CORPORATE	
	(in SAR thousand)				
Revenue	279,779	71,780	776,926	—	1,128,485
Direct costs	(216,499)	(78,703)	(538,790)	(2,629)	(836,621)
Gross profit/(loss)	63,280	(6,923)	238,136	(2,629)	291,864
General and administration expenses	(34,243)	(6,269)	(90,902)	(26,092)	(157,506)
Income/(loss) from main operations	29,037	(13,192)	147,234	(28,721)	134,358
Share in net income in associates and a joint venture	257	—	36,929	—	37,186
Other (expenses)/income	2,363	(41)	478	—	2,800
Financial income/(charges)	465	—	(1,609)	(965)	(2,109)
Income/(loss) before zakat, tax and minority interest	32,122	(13,233)	183,032	(29,686)	172,235
Zakat and tax	(6,682)	—	(6,323)	—	(13,005)
Income/(loss) before minority interest	25,440	(13,233)	176,709	(29,686)	159,230
Minority interest	(173)	—	(9,583)	—	(9,756)
Net income/(loss) for the year	25,267	(13,233)	167,126	(29,686)	149,474

Solely for the convenience of potential investors, the financial information in the table above is also presented in U.S. dollars in the table below, converted at the exchange rate of US\$1 = SAR 3.75. See “*Presentation of Financial and Other Information—Financial Information—U.S. Dollar Exchange Rate Convenience Translation.*”

	YEAR ENDED DECEMBER 31, 2016				YEAR ENDED DECEMBER 31, 2016
	INTERNATIONAL OPERATIONS	SHUAIBAH IWPP	OTHER SAUDI PROJECTS	ELIMINATION & UNALLOCATED CORPORATE	
	(in US\$ thousand)				
Revenue	74,608	19,141	207,180	—	300,929
Direct costs	(57,733)	(20,987)	(143,677)	(701)	(223,099)
Gross profit/(loss)	16,875	(1,846)	63,503	(701)	77,830
General and administration expenses	(9,131)	(1,672)	(24,241)	(6,958)	(42,002)
Income/(loss) from main operations	7,743	(3,518)	39,262	(7,659)	35,829
Share in net income in associates and a joint venture	69	—	9,848	—	9,916
Other (expenses)/income	630	(11)	127	—	747
Financial income/(charges)	124	—	(429)	(257)	(562)
Income/(loss) before zakat, tax and minority interest	8,566	(3,529)	48,809	(7,916)	45,929
Zakat and tax	(1,782)	—	(1,686)	—	(3,468)
Income/(loss) before minority interest	6,784	(3,529)	47,123	(7,916)	42,461
Minority interest	(46)	—	(2,555)	—	(2,602)
Net income/(loss) for the year	6,738	(3,529)	44,567	(7,916)	39,860

Summary Financial Information and Operational Information for the Project Companies

For a description of certain financial information of the Project Companies as of and for the year ending December 31, 2014, 2015 and 2016, see “*Selected Historical Financial and Other Information.*”

Other Financial Information for Project Companies

	SEPCO (SHUAIBAH EXPANSION IWP)	SWEC (SHUAIBAH IWPP)	JWAP (MARAFIQ IWPP)	SQWEC (SHUQAIQ IWPP)	RABEC (RABIGH IPP)	HEPCO (QURAYYAH IPP)	BOWAREGE (BOWAREGE IWP)	RAWEC (RAWEC IWSP)	TOTAL
Revenue (in SAR thousand)									
2014	149,542	1,081,282	1,175,987	784,225	1,014,414	256,929	92,633	631,920	5,186,932
2015	151,412	1,011,137	1,257,248	801,707	972,865	769,646	133,762	616,343	5,714,120
2016	151,213	1,090,871	1,240,072	812,377	898,057	938,695	138,056	887,014	6,156,355
DSCR test level for distributions (1)									
2014	1.15:1	1.15:1	1.125:1	1.15:1 (2)	1.15:1	1.125:1	n/a	n/a	n/a
2015	1.15:1	1.15:1	1.125:1	1.15:1 (2)	1.15:1	1.125:1	n/a	n/a	n/a
2016	1.15:1	1.15:1	1.125:1	1.15:1 (2)	1.15:1	1.125:1	n/a	n/a	n/a

Notes:

(1) For actual DSCRs for the period from January 1, 2014 to December 31, 2016 as reported by the Project Companies and accepted by their respective lenders, the amount of Project Companies' outstanding debt as of December 31, 2016 and a description of material terms of their financing arrangements, see "Description of Certain Other Financing Arrangements of Project Companies."

(2) DSCR with respect to the senior facility. DSCR for the junior facility was 1.10:1.

All of the Project Companies prepare their financial statements in Saudi riyals. Solely for the convenience of potential investors, the financial information in the table above is also presented in U.S. dollars in the table below, converted at the exchange rate of US\$1 = SAR 3.75. See "Presentation of Financial and Other Information—Financial Information—U.S. Dollar Exchange Rate Convenience Translation."

	SEPCO (SHUAIBAH EXPANSION IWP)	SWEC (SHUAIBAH IWPP)	JWAP (MARAFIQ IWPP)	SQWEC (SHUQAIQ IWPP)	RABEC (RABIGH IPP)	HEPCO (QURAYYAH IPP)	BOWAREGE (BOWAREGE IWP)	RAWEC (RAWEC IWSP)	TOTAL
Revenue (in US\$ thousand)									
2014	39,878	288,342	313,597	209,127	270,510	68,514	24,702	168,512	1,383,182
2015	40,377	269,637	335,266	213,789	259,431	205,239	35,670	164,358	1,523,765
2016	40,323	290,899	330,686	216,634	239,482	250,319	36,815	236,537	1,641,695
DSCR test level for distributions (1)									
2014	1.15:1	1.15:1	1.125:1	1.15:1 (2)	1.15:1	1.125:1	n/a	n/a	n/a
2015	1.15:1	1.15:1	1.125:1	1.15:1 (2)	1.15:1	1.125:1	n/a	n/a	n/a
2016	1.15:1	1.15:1	1.125:1	1.15:1 (2)	1.15:1	1.125:1	n/a	n/a	n/a

Notes:

(1) For actual DSCRs for the period from January 1, 2014 to December 31, 2016 as reported by the Project Companies and accepted by their respective lenders, the amount of Project Companies' outstanding debt as of December 31, 2016 and a description of material terms of their financing arrangements, see "Description of Certain Other Financing Arrangements of Project Companies."

(2) DSCR with respect to the senior facility. DSCR for the junior facility was 1.10:1.

Information on Dividends and Shareholder Loans for Project Companies and NOMAC

	SEPCO (SHUAIBAH EXPANSION IWP)	SWEC (SHUAIBAH IWPP)	JWAP (MARAFIQ IWPP)	SQWEC (SHUQAIQ IWPP)	RABEC (RABIGH IPP)	HEPCO (QURAYYAH IPP)	BOWAREGE ⁽¹⁾ (BOWAREGE IWP)	RAWEC (RAWEC IWSP)	NOMAC
Dividends paid by Project Companies and NOMAC (in SAR thousand)									
2014	10,600	210,000	58,659	—	—	—	24,410	—	28,260
2015	19,875	110,625	55,024	118,000	—	—	24,410	—	93,860
2016	14,532	133,500	46,655	140,000	—	—	24,407	—	68,500
APP's effective share of dividends paid by Project Companies and NOMAC (in SAR thousand)									
2014	3,180	63,000	11,732	—	—	—	15,830	—	28,260
2015	5,963	33,188	11,005	47,200	—	—	15,830	—	93,860
2016	4,360	40,050	9,331	56,000	—	—	15,828	—	68,500
Payments under shareholder loans by Project Companies (in SAR thousand)									
2014	—	—	—	61,375	384,000	—	—	—	—
2015	—	—	307,500	—	165,000	—	—	67,785	—
2016	—	—	206,500	n/a	344,236	—	—	149,163	—
APP's effective share of payments under shareholder loans by Project Companies (in SAR thousand)									
2014	—	—	—	24,550	153,600	—	—	—	—
2015	—	—	61,500	—	66,000	—	—	25,080	—
2016	—	—	41,300	—	137,694	—	—	55,190	—

Note:

⁽¹⁾ The amounts of dividends for Bowarege represent declared dividends, out of which SAR 8.4 million, SAR 12.5 million and SAR 7.9 million in 2014, 2015 and 2016, respectively, were adjusted against related party balances related to servicing the equity loan of Bowarege (at Floating Ships for Water Projects Company).

Solely for the convenience of potential investors, the financial information in the table above is also presented in U.S. dollars in the table below, converted at the exchange rate of US\$1 = SAR 3.75. See "Presentation of Financial Information—U.S. Dollar Exchange Rate Convenience Translation."

	SEPCO (SHUAIBAH EXPANSION IWP)	SWEC (SHUAIBAH IWP)	JWAP (MARAFIQ IWP)	SQWEC (SHUQAIQ IWP)	RABEC (RABIGH IPP)	HEPCO (QURAYYAH IPP)	BOWAREGE ⁽¹⁾ (BOWAREGE IWP)	RAWEC (RAWEC IWP)	NOMAC
Dividends paid by Project Companies and NOMAC (in US\$ thousand)									
2014	2,827	56,000	15,642	—	—	—	6,509	—	7,536
2015	5,300	29,500	14,673	31,467	—	—	6,509	—	25,029
2016	3,875	35,600	12,441	37,333	—	—	6,509	—	18,267
APP's effective share of dividends paid by Project Companies and NOMAC (in US\$ thousand)									
2014	848	16,800	3,129	—	—	—	4,221	—	7,536
2015	1,590	8,850	2,935	12,587	—	—	4,221	—	25,029
2016	1,163	10,680	2,488	14,933	—	—	4,221	—	18,267
Payments under shareholder loans by Project Companies (in US\$ thousand)									
2014	—	—	—	16,367	102,400	—	—	—	—
2015	—	—	82,000	—	44,000	—	—	18,076	—
2016	—	—	55,067	n/a	91,796	—	—	39,777	—
APP's effective share of payments under shareholder loans by Project Companies (in US\$ thousand)									
2014	—	—	—	6,547	40,960	—	—	—	—
2015	—	—	16,400	—	17,600	—	—	6,688	—
2016	—	—	11,013	—	36,719	—	—	14,717	—

Note:

⁽¹⁾ The amounts of dividends for Bowarege represent declared dividends, out of which SAR 8.4 million (US\$2.2 million), SAR 12.5 million (US\$3.3 million) and SAR 7.9 million (US\$2.1 million) in 2014, 2015 and 2016, respectively, were adjusted against related party balances related to servicing the equity loan of Bowarege (at Floating Ships for Water Projects Company).

Operational Data for Project Companies

	SEPCO (SHUAIBAH EXPANSION IWP)	SWEC (SHUAIBAH IWPP)	JWAP (MARAFIQ IWPP)	SQWEC (SHUQAIQ IWPP)	RABEC (RABIGH IPP)	HEPCO (QURAYYAH IPP)	BOWAREGE (BOWAREGE IWP)	RAWEC (RAWEC IWSP)
(in %)								
Power technical availability								
2014	n/a	92.7	92.3	94.8	94.0	n/a	n/a	96.2
2015	n/a	85.5	98.2	96.9	92.8	75.6	n/a	93.3
2016	n/a	91.4	97.2	95.7	87.0	87.4	n/a	93.9
Water technical availability								
2014	96.4	89.6	94.8	96.2	n/a	n/a	60.9 ⁽¹⁾	97.1
2015	97.8	85.5	97.1	97.5	n/a	n/a	88.6	95.3
2016	96.5	91.3	98.8	99.4	n/a	n/a	88.7	92.7
Power forced outage rate								
2014	n/a	5.3	5.2	0.7	4.7	n/a	n/a	0.0
2015	n/a	5.7	0.3	1.1	5.8	24.0	n/a	0.0
2016	n/a	3.8	0.5	2.4	7.4	10.2	n/a	0.0
Water forced outage rate								
2014	0.9	8.6	3.2	2.8	n/a	n/a	39.1	0.0
2015	0.4	5.3	1.3	1.7	n/a	n/a	2.0	0.0
2016	1.7	3.9	0.5	0.0	n/a	n/a	4.6	0.3
Minimum power availability for triggering termination clauses⁽³⁾								
2014	n/a	67 ⁽⁴⁾	75 ⁽⁵⁾	67 ⁽⁴⁾	67 ⁽⁴⁾	75 ⁽⁴⁾	n/a	90 ⁽⁶⁾
2015	n/a	67 ⁽⁴⁾	75 ⁽⁵⁾	67 ⁽⁴⁾	67 ⁽⁴⁾	75 ⁽⁴⁾	n/a	90 ⁽⁶⁾
2016	n/a	67 ⁽⁴⁾	75 ⁽⁵⁾	67 ⁽⁴⁾	67 ⁽⁴⁾	75 ⁽⁴⁾	n/a	90 ⁽⁶⁾
Minimum water availability for triggering termination clauses⁽³⁾								
2014	67 ⁽⁴⁾	67 ⁽⁴⁾	75 ⁽⁵⁾	67 ⁽⁴⁾	n/a	n/a	95(76) ⁽⁷⁾	90 ⁽⁶⁾
2015	67 ⁽⁴⁾	67 ⁽⁴⁾	75 ⁽⁵⁾	67 ⁽⁴⁾	n/a	n/a	95(76) ⁽⁷⁾	90 ⁽⁶⁾
2016	67 ⁽⁴⁾	67 ⁽⁴⁾	75 ⁽⁵⁾	67 ⁽⁴⁾	n/a	n/a	95(76) ⁽⁷⁾	90 ⁽⁶⁾

Notes:

(1) The technical availability level at the Bowarege IWP in 2014 was adversely affected by the fire at one of the barges in September 2013, which kept it out of operation until August 2014.

(2) The water power forced outage rate was adversely affected by a boiler failure in 2015 which continued in 2016.

(3) For a description of minimum power and water availability under termination clauses of the Projects, see "Description of the Projects and NOMAC's Operations—Description of Projects."

(4) Calculated for any rolling period of 730 days.

(5) Calculated for any rolling period of 12 months.

(6) Average availability must be no less than 90% of the time in any 180-day period.

(7) Calculated on a monthly basis. Bowarege is required under the terms of the Bowarege WPA to ensure the availability of the water plant at the level of no less than 95% during each month. This minimum availability level, however, is based on the requirement to provide 40,000 cubic meters of desalinated water per day, while the aggregate design capacity of the two barges is 50,000 cubic meters per day. Therefore, the effective minimum water availability for triggering the termination clause under the Bowarege WPA is 76%.

THE FINANCIAL MODEL

Summary of the Financial Model

The following information from the Financial Model should be read together with the information contained in “*Disclosure Regarding Forward-Looking Statements,*” “*Risk Factors,*” “*Selected Historical Financial and Other Information,*” “*Management’s Discussion and Analysis of Financial Condition and Results of Operations,*” “*NOMAC Restructuring*” and the Financial Statements and related notes included elsewhere in this Offering Memorandum.

For the purposes of this Offering, we have prepared the Financial Model that is summarized in this section. The Financial Model is not included in this Offering Memorandum.

Neither the Financial Model nor any information derived from the Financial Model and included in this Offering Memorandum constitutes projections, profit forecasts or predictions of future results. The Financial Model simply illustrates hypothetical results that are mathematically derived from specified assumptions. The Financial Model was developed by the APP Group as a financial forecasting and evaluation tool and not as an operational model. Consequently, the Financial Model does not allow comparisons of actual results against forecasts and does not include an ongoing budget comparison. See “*Disclosure Regarding Forward-Looking Statements.*”

Information derived from the Financial Model and included in this Offering Memorandum should not be regarded as a representation by us, any member of the ACWA Power Group, any Initial Purchaser or any other person that the hypothetical results set forth in the Financial Model will actually be achieved. Actual capacity, availability, dispatch and production levels, heat-rate, the Project Companies’ and NOMAC’s operating, maintenance and capital costs, as well as interest and inflation rates, will differ from those used in the Financial Model. Accordingly, the actual performance and cash flows of the Project Companies and NOMAC and, consequently, the Issuer, for any given future period will differ significantly from those set forth in the Financial Model and summarized herein. Prospective purchasers are cautioned not to place undue reliance on any information derived from the Financial Model and should make their own independent assessment of our future results of operations, cash flows and financial condition and those of the Project Companies and NOMAC. See “*Risk Factors—Risks Related to the APP Group, Projects and NOMAC—The Project Companies, NOMAC’s and the APP Group’s financial results will differ from, and could be worse than, the results forecasted to be achieved by these entities in the Financial Model.*”

EY has neither examined, compiled nor performed any procedures with respect to the prospective financial information contained in this Offering Memorandum, including the information derived from the Financial Model, and accordingly, EY does not express an opinion or any other form of assurance on such or the achievability of the Financial Model. EY assumes no responsibility for and denies any association with any prospective financial information and any other information derived therefrom included elsewhere in this Offering Memorandum.

An internationally recognized advisory firm has been engaged by ACWA Power to review the Financial Model. The review report prepared by such advisory firm is not included in this Offering Memorandum.

ACWA Power intends to sell an 8% effective ownership stake in SQWEC . It has entered into an agreement with Apicorp, under which Apicorp agreed to acquire 13.3% of the shares of Shuqaiq International Water and Electricity Company. The 13.3% stake in Shuqaiq International Water and Electricity Company gives Apicorp an 8% effective ownership stake in SQWEC. The closing of this transaction is subject to customary approvals and is expected to occur in the second quarter of 2017. The Financial Model assumes a 32% ownership stake of ACWA Power in SQWEC (rather than ACWA Power’s actual 40% legal ownership share in SQWEC as of the date of this Offering Memorandum). ACWA Power also intends to sell up to a 3% effective ownership stake in RABEC in the near future. While there is currently no definitive agreement for the sale of such effective ownership stake in RABEC, the Financial Model assumes a 37% ownership stake of ACWA Power in RABEC (rather than ACWA Power’s actual 40% legal and effective ownership share in RABEC as of the date of this Offering Memorandum).

All figures in this section are presented on an annual basis and/or as of December 31 of the relevant year, as specified. The Financial Model has been prepared in U.S. dollars using an exchange rate of SAR 3.75 = US\$1.00 as described under “*Presentation of Financial and Other Information.*” See “*Risk Factors—Risks Related to the APP Group, Projects and NOMAC—The operations of the APP Group, Project Companies and*

NOMAC could be adversely affected if the Saudi riyal/U.S. dollar peg were to be removed or adjusted or if the euro appreciates against the U.S. dollar and the Saudi riyal.” Regarding inflation indices, the Financial Model assumes that the consumer price index published by the Bureau of Labor Statistics of the U.S. Department of Labor will be 2% for the United States, and the inflation rate index published by the Saudi Arabian Monetary Agency will be 3% for the Kingdom of Saudi Arabia, for each year from 2017 through 2039.

Summary of Significant Base Case Assumptions from the Financial Model

The Financial Model is based on a number of assumptions, including, without limitation, with respect to (i) macroeconomic factors, (ii) revenue, costs and expenses for each Project Company, (iii) payments with respect to the outstanding debt related to each Project, (iv) operation and maintenance fees to be received by NOMAC, two of its subsidiaries and one joint venture for their operation and maintenance services to be provided to seven Projects and the Rabigh 2 IPP and their operating expenses, (v) net distributions from each Project Company and from NOMAC (taking into account the prepayment in full of certain existing loan facilities as set forth in “*Use of Proceeds*,” including, in particular, the full prepayment of APP’s portion of the loans from National Commercial Bank and Mizuho Bank, Ltd. to NOVA and assuming that NOVA will provide an irrevocable payment undertaking requiring it to pay to the Collection Account all dividends to be paid to APGS by NOVA and APGS’s 33.33% share of all affiliate loan repayments received by NOVA from SGA Marafiq Holding W.L.L. To the extent any Trust Certificates, which are permitted under the Indenture, are issued after the Issue Date, this irrevocable payment undertaking will be replaced with irrevocable payment undertakings directing that such payments will be paid to the Collection Account and the collection account in relation to the Trust Certificates on a *pro rata* basis based on the aggregate principal amount of the Bonds and Additional Bonds, if any, issued and outstanding and the face amount of any Trust Certificates issued and outstanding. See “*Description of Certain other Financing Arrangements of Project Companies—Equity Bridge Loans—Loans to SGA Marafiq Holdings*”), (vi) taxation, (vii) no legal proceedings or material disputes, (viii) our costs and expenses, (ix) inflation, (x) interest rates, (xi) working capital adjustments and (xii) other cash flows securing the obligations under the Bonds.

Furthermore, the Financial Model assumes no corporate taxes at the level of the Issuer as we are incorporated and tax resident in the DIFC, and there are no taxes on the income or profits of DIFC companies. See “*Risk Factors—Risks Related to Investments in Companies Operating in Saudi Arabia—We and the Bondholders may be exposed to certain tax jurisdiction risks.*” The Project Companies are subject to tax and zakat in the Kingdom of Saudi Arabia.

The Base Case cash flows produced by the Financial Model are summarized in the table below.

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	
	(in US\$ millions)																							
SEPCO																								
Revenues	40	41	41	41	41	42	42	42	43	43	44	44	45	13	—	—	—	—	—	—	—	—	—	—
Operating expenses	(17)	(18)	(18)	(19)	(19)	(19)	(20)	(20)	(21)	(21)	(22)	(22)	(23)	(24)	(7)	—	—	—	—	—	—	—	—	—
Outstanding debt ⁽¹⁾	121	111	101	90	79	67	54	40	25	9	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Debt service	(18)	(18)	(18)	(18)	(18)	(18)	(18)	(18)	(18)	(18)	(9)	(0)	(0)	(3)	—	—	—	—	—	—	—	—	—	—
Proportional debt service	(6)	(6)	(6)	(6)	(5)	(5)	(5)	(5)	(5)	(5)	(3)	(0)	(0)	(1)	—	—	—	—	—	—	—	—	—	—
Working capital changes	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	—	—	—	—	—	—	—	—	—	—
Tax	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Dividends to the Issuer	2	1	1	1	1	1	1	1	1	1	4	6	6	2	—	—	—	—	—	—	—	—	—	—
SWEC																								
Revenues	303	299	300	307	291	292	309	306	306	313	304	306	316	160	—	—	—	—	—	—	—	—	—	—
Operating expenses	(41)	(38)	(39)	(41)	(41)	(42)	(43)	(44)	(45)	(46)	(47)	(48)	(49)	(25)	—	—	—	—	—	—	—	—	—	—
Outstanding debt ⁽¹⁾	1,153	1,040	913	780	662	516	363	236	100	25	25	25	25	—	—	—	—	—	—	—	—	—	—	—
Debt service	(192)	(182)	(188)	(188)	(165)	(167)	(170)	(134)	(140)	(78)	(2)	(2)	(2)	(26)	—	—	—	—	—	—	—	—	—	—
Proportional debt service	(58)	(55)	(57)	(56)	(50)	(50)	(51)	(40)	(42)	(23)	(1)	(1)	(1)	(8)	—	—	—	—	—	—	—	—	—	—
Working capital changes	(1)	2	(2)	(0)	5	(5)	(0)	2	(2)	(0)	3	(3)	(0)	44	—	—	—	—	—	—	—	—	—	—
Capex	(16)	(10)	(5)	(0)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Tax	(6)	(9)	(9)	(11)	(13)	(12)	(16)	(17)	(17)	(18)	(18)	(17)	(19)	—	—	—	—	—	—	—	—	—	—	—
Dividends to the Issuer	15	20	19	22	26	22	27	37	34	55	76	74	78	46	—	—	—	—	—	—	—	—	—	—
JWAP																								
Revenues	420	419	434	434	436	437	434	435	449	448	452	455	451	450	117	—	—	—	—	—	—	—	—	—
Operating expenses	(105)	(107)	(109)	(112)	(115)	(118)	(120)	(123)	(126)	(129)	(132)	(135)	(138)	(142)	(37)	—	—	—	—	—	—	—	—	—
Outstanding debt ⁽¹⁾	2,038	1,914	1,783	1,644	1,496	1,336	1,164	979	784	577	356	119	—	—	—	—	—	—	—	—	—	—	—	—
Debt service	(247)	(240)	(240)	(217)	(198)	(206)	(214)	(223)	(228)	(233)	(240)	(248)	(122)	—	—	—	—	—	—	—	—	—	—	—
Proportional debt service	(49)	(48)	(48)	(43)	(40)	(41)	(43)	(45)	(46)	(47)	(48)	(50)	(24)	—	—	—	—	—	—	—	—	—	—	—
Working capital changes	2	(2)	(0)	(0)	(0)	(0)	2	(2)	(0)	(0)	(0)	2	(2)	4	—	—	—	—	—	—	—	—	—	—
Capex	(1)	(1)	(1)	(1)	(0)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Tax	(8)	(7)	(8)	(8)	(10)	(12)	(11)	(9)	(8)	(8)	(7)	(6)	(5)	(3)	(6)	—	—	—	—	—	—	—	—	—
Dividends to the Issuer	13	14	16	20	24	22	20	17	18	17	16	14	38	61	17	—	—	—	—	—	—	—	—	—
SQWEC																								
Revenues	209	217	216	216	221	218	212	226	225	224	230	229	226	235	97	—	—	—	—	—	—	—	—	—
Operating expenses	(45)	(46)	(47)	(48)	(49)	(50)	(51)	(52)	(53)	(55)	(56)	(57)	(58)	(60)	(25)	—	—	—	—	—	—	—	—	—
Outstanding debt ⁽¹⁾	1,061	988	919	844	765	692	602	506	409	300	184	66	—	—	—	—	—	—	—	—	—	—	—	—
Debt service	(142)	(144)	(135)	(136)	(134)	(123)	(136)	(136)	(131)	(135)	(136)	(129)	(68)	—	—	—	—	—	—	—	—	—	—	—
Proportional debt service	(46)	(46)	(43)	(44)	(43)	(39)	(43)	(43)	(42)	(43)	(43)	(41)	(22)	—	—	—	—	—	—	—	—	—	—	—
Working capital changes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(0)	—	—	—	—	—	—	—	—	—
Capex	(0)	(0)	(0)	(0)	(0)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Tax	(1)	(1)	(1)	(1)	(1)	(2)	(2)	(2)	(2)	(2)	(3)	(3)	(3)	(3)	(3)	—	—	—	—	—	—	—	—	—
Dividends to the Issuer	6	8	11	10	12	14	8	11	12	10	11	13	31	55	23	—	—	—	—	—	—	—	—	—

2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033 2034 2035 2036 2037 2038 2039

(in US\$ millions)

RABEC

Revenues	249	250	255	257	246	252	267	269	266	268	273	272	258	262	278	280	133	—	—	—	—
Operating expenses	(35)	(36)	(37)	(39)	(42)	(42)	(41)	(43)	(44)	(45)	(46)	(49)	(52)	(51)	(51)	(52)	(26)	—	—	—	—
Outstanding debt ⁽¹⁾	1,809	1,732	1,647	1,556	1,474	1,387	1,279	1,174	1,063	947	821	689	568	440	287	128	—	—	—	—	—
Debt service	(181)	(179)	(180)	(181)	(169)	(172)	(185)	(183)	(176)	(176)	(180)	(177)	(162)	(163)	(176)	(174)	(16)	—	—	—	—
Proportional debt service	(67)	(66)	(67)	(67)	(63)	(64)	(68)	(68)	(65)	(65)	(67)	(66)	(60)	(60)	(65)	(65)	(6)	—	—	—	—
Working capital changes	5	(0)	(0)	1	(0)	1	(0)	0	(0)	(0)	(0)	1	(0)	(1)	(0)	0	38	—	—	—	—
Capex	(6)	(1)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Tax	—	—	(2)	(3)	(4)	(5)	(7)	(8)	(9)	(10)	(12)	(13)	(12)	(13)	(15)	(16)	(17)	—	—	—	—
Dividends to the Issuer	12	13	14	14	13	13	14	15	15	16	16	16	15	16	17	18	35	—	—	—	—

HEPCO

Revenues	267	268	270	272	277	282	281	279	275	285	293	293	293	293	300	306	304	309	308	150	—
Operating expenses	(101)	(88)	(90)	(92)	(94)	(96)	(99)	(101)	(103)	(105)	(108)	(110)	(113)	(115)	(118)	(121)	(123)	(126)	(129)	(66)	—
Outstanding debt ⁽¹⁾	1,822	1,758	1,687	1,610	1,536	1,456	1,382	1,304	1,217	1,132	1,039	947	844	716	586	446	295	217	212	206	—
Debt service	(143)	(152)	(156)	(163)	(156)	(142)	(139)	(143)	(151)	(153)	(147)	(150)	(160)	(174)	(174)	(172)	(176)	(16)	(11)	(20)	—
Proportional debt service	(25)	(27)	(27)	(29)	(27)	(25)	(24)	(25)	(26)	(27)	(26)	(26)	(28)	(30)	(30)	(30)	(31)	(3)	(2)	(4)	—
Working capital changes	2	(3)	1	0	(2)	2	1	3	1	(4)	2	0	2	1	(2)	2	1	(1)	5	27	—
Capex	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Tax	(1)	(0)	(0)	(1)	(1)	(1)	(2)	(2)	(2)	(3)	(3)	(4)	(4)	(4)	(5)	(6)	(6)	(7)	(7)	(1)	—
Dividends to the Issuer	14	4	4	3	4	8	7	6	3	3	6	5	2	(0)	(0)	3	(0)	27	29	16	—

BOWARAGE

Revenues	36	36	36	44	36	32	36	36	36	29	36	36	—	—	—	—	—	—	—	—	—
Operating expenses	(18)	(18)	(19)	(20)	(19)	(20)	(20)	(21)	(20)	(22)	(22)	—	—	—	—	—	—	—	—	—	—
Outstanding debt ⁽¹⁾	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Debt service	(10)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Proportional debt service	(7)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Working capital changes	0	(0)	0	0	0	(0)	(0)	0	0	(0)	0	1	—	—	—	—	—	—	—	—	—
Capex	(2)	(2)	(3)	(8)	(3)	(3)	(3)	(5)	(4)	(3)	(3)	(3)	—	—	—	—	—	—	—	—	—
Tax	(1)	(1)	(1)	(0)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	—	—	—	—	—	—	—	—	—
Dividends to the Issuer	4	17	4	8	6	4	5	5	2	5	6	11	—	—	—	—	—	—	—	—	—

RAWEC

Revenues	309	312	311	317	319	322	324	328	330	333	336	340	342	345	348	353	242	158	159	161	162
Operating expenses	(91)	(83)	(93)	(94)	(94)	(96)	(98)	(101)	(103)	(105)	(108)	(110)	(113)	(115)	(118)	(121)	(103)	(46)	(46)	(47)	(48)
Outstanding debt ⁽¹⁾	1,215	1,109	996	875	749	615	504	446	386	323	256	185	112	34	—	—	—	—	—	—	—
Debt service	(178)	(175)	(175)	(177)	(174)	(175)	(145)	(86)	(85)	(85)	(84)	(84)	(84)	(84)	(83)	(35)	—	—	—	—	—
Proportional debt service	(66)	(65)	(65)	(66)	(65)	(65)	(54)	(32)	(32)	(31)	(31)	(31)	(31)	(31)	(31)	(13)	—	—	—	—	—
Working capital changes	(1)	(1)	2	(1)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(11)	(0)	21	(3)	(0)	(0)	(0)
Capex	(9)	(7)	(7)	(7)	(7)	—	—	—	(14)	(17)	(22)	(22)	(23)	(24)	(25)	(27)	(29)	(26)	(15)	(11)	(16)
Tax	(6)	(7)	(7)	(7)	(8)	(9)	(10)	(12)	(14)	(17)	(22)	(22)	(22)	(24)	(25)	(27)	(29)	(26)	(15)	(11)	(16)
Dividends to the Issuer	28	25	11	11	13	15	26	48	47	46	45	45	45	45	59	75	83	30	36	38	37

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
(in US\$ millions)																							
NOMAC																							
Revenues	119	123	126	129	132	135	139	142	145	149	153	143	148	133	103	88	91	94	96	—	—	—	—
Operating expenses	(98)	(101)	(106)	(104)	(109)	(111)	(123)	(112)	(129)	(123)	(127)	(114)	(127)	(113)	(94)	(84)	(87)	(95)	(99)	—	—	—	—
Dividends received ⁽²⁾	5	7	7	5	5	7	8	7	7	8	8	6	6	9	9	9	6	6	1	—	—	—	—
Net working capital adjustment	2	(0)	0	(1)	0	(0)	2	(4)	3	(2)	(0)	(1)	2	(0)	3	1	0	1	0	—	—	—	—
Capex	(3)	(1)	(1)	(3)	(4)	(4)	(0)	(1)	(3)	(4)	(4)	(1)	(1)	(2)	(4)	(4)	(1)	(2)	(2)	—	—	—	—
Tax	(0)	(0)	(0)	(1)	(1)	(1)	(0)	(1)	(0)	(1)	(1)	(1)	(0)	(0)	(0)	(0)	(0)	0	0	—	—	—	—
Dividends to the Issuer	23	26	25	25	24	26	24	32	23	27	30	33	27	27	17	10	10	4	—	—	—	—	—
Assigned Fees	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total assigned fee income	16	18	17	17	18	19	20	20	20	20	21	22	23	23	23	23	24	24	25	25	11	3	3
Issuer																							
Amounts received as dividends and other																							
cash flows	133	146	123	132	140	144	153	193	177	201	229	240	266	275	155	129	152	86	89	79	47	39	40
Operating expenses	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Cash flow available for debt service	133	146	123	132	140	144	153	193	177	200	229	239	266	275	155	129	151	86	89	78	47	39	40
Principal repayments	—	—	—	—	(2)	(0)	(6)	(40)	(30)	(51)	(74)	(86)	(113)	(127)	(68)	(54)	(70)	(38)	(33)	(12)	(4)	(3)	(4)
Interest costs	(30)	(48)	(48)	(48)	(48)	(48)	(48)	(47)	(45)	(43)	(40)	(35)	(30)	(23)	(16)	(12)	(9)	(5)	(3)	(1)	(1)	(0)	(0)
Total debt service	(30)	(48)	(48)	(48)	(50)	(48)	(54)	(87)	(75)	(95)	(114)	(121)	(143)	(149)	(84)	(66)	(79)	(43)	(36)	(13)	(5)	(4)	(4)
DSCR ⁽⁴⁾	4.39x	3.01x	2.55x	2.72x	2.80x	2.97x	2.82x	2.22x	2.37x	2.11x	2.01x	1.97x	1.86x	1.84x	1.85x	1.96x	1.92x	2.01x	2.51x	6.12x	10.09x	10.40x	10.05x
Cash Flow to Equity ⁽⁵⁾	103	97	75	83	90	95	98	106	103	106	115	118	123	125	71	63	73	43	54	66	42	35	36
Outstanding debt ⁽¹⁾⁽³⁾	814	814	814	814	813	812	807	767	737	686	612	525	413	286	218	164	93	56	23	11	7	4	—

Notes:

(1) Data on outstanding debt is provided as of December 31 of each year.

(2) Consisting of dividends to be received by NOMAC from its two subsidiaries, Rabigh Power Company and Rabigh Operation and Maintenance Company, and one joint venture, Jubail O&M Company, that provide operation and maintenance services to RAWEC, RABEC and JWAP, respectively.

(3) Assumption reflects the total proceeds of the Offering.

(4) DSCR means debt service coverage ratio, in relation to the Issuer.

(5) Cash flow to equity means amounts received and available to the Issuer after making scheduled payments by the Issuer (principal and interest).

The debt service coverage ratios (“**DSCRs**”) test our ability to make payments on the Bonds with cash flows derived from the Project Companies and NOMAC.

In the Base Case, the minimum 12-month DSCR is 1.84x and average 12-month DSCR is 3.64x.

Changing the Base Case assumptions on which the Financial Model is prepared (including the amount of debt incurred by us) would change the DSCRs shown above, in some cases, materially and adversely. See “*Risk Factors—Risks Related to the APP Group, Projects and NOMAC—The Project Companies, NOMAC’s and the APP Group’s financial results will differ from, and could be worse than, the results forecasted to be achieved by these entities in the Financial Model.*”

THE OFFERING

The summary below describes the principal terms of the Bonds and the Bond Collateral. It is not intended to be complete and certain of the terms and conditions described below are subject to important exceptions. You should carefully review the "Description of the Bonds" section of this Offering Memorandum for more detailed descriptions of the terms and conditions of the Bonds and the Indenture.

Issuer	ACWA Power Management and Investments One Limited.
Bonds Offered	\$814,000,000 aggregate principal amount of 5.95% Senior Secured Bonds due 2039.
Issue Price	100% plus accrued interest, if any, from the Issue Date.
Issue Date	May 15, 2017.
Maturity Date and Amortization	December 15, 2039. The Bonds will amortize in semi-annual installments based on semi-annual amortization, commencing on June 15, 2021.
Interest Payment Dates	Interest on the Bonds will accrue at a rate of 5.95% per annum, payable in cash semi-annually in arrears on each June 15 and December 15, beginning on June 15, 2017. Interest on the Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest will accrue from the Issue Date.
Collateral	<p>On the Issue Date, the Bonds will be secured, subject to certain perfection requirements, by a security interest in the property and assets set forth in "<i>Description of the Bonds—Bond Collateral</i>," which shall include:</p> <ul style="list-style-type: none">(a) 100% of the shares of the Issuer held by ACWA Power pursuant to a DIFC law share pledge;(b) the Debt Service Reserve Account, the Collection Account, the Redemption Account and Eligible Investments pursuant to a DIFC law security agreement;(c) the shares of APP held by ACWA Power, KAHROMAA, Multiple Shares Company, Projects Acquisition Company and Shuqaiq Arabian Water and Electricity Company pursuant to a Saudi law share pledge;(d) assignment by APP of all dividends:<ul style="list-style-type: none">■ that have been approved by the shareholders and are payable from Bowarege and RAWEC pursuant to a Saudi law assignment of dividends agreement; and■ payable from AMWEC pursuant to an English law assignment agreement;(e) assignment of receivables by APP in relation to the fee received from RAWEC IWSPP under a limestone supply agreement pursuant to a Saudi law assignment of receivables agreement;(f) assignment of receivables by APP in relation to fees received from RAWEC IWSPP under the Project Company shareholders' agreement and Rabigh Power Company shareholders' agreement pursuant to an English law assignment agreement;(g) assignment by ACWA Power of fees received from NOMAC in relation to:<ul style="list-style-type: none">■ technical services agreements in respect of two Projects including the RAWEC IWSPP and Shuaibah IWPP as well as the Rabigh 2 IPP; and

- technical services agreements in respect of the Shuaibah IWPP (additional services), Shuqaiq IWP, Shuaibah Expansion IWP, Qurayyah IPP, Rabigh IPP and Bowarege IWP, pursuant to an English law assignment agreement;
- (h) assignment by Rabigh Project Company of all dividends that have been approved by the shareholders and are payable from RABEC pursuant to a Saudi law assignment of dividends agreement;
- (i) assignment of fees received from RABEC by Rabigh Project Company in relation to management fee and operation and maintenance fee pursuant to a Saudi law assignment of receivables agreement;
- (j) assignment by Shuaibah National Company for Water and Power of all dividends that have been approved by the shareholders and are payable from SAMAWEC pursuant to a Saudi law assignment of dividends agreement;
- (k) assignment by Shuqaiq Arabian Water and Electricity Company of all dividends that have been approved by the shareholders and are payable from Shuqaiq International Water and Electricity Company pursuant to a Saudi law assignment of dividends agreement;
- (l) assignment by Qurayyah Project Company of all dividends that have been approved by the shareholders and are payable from Qurayyah Investment Company pursuant to a Saudi law assignment of dividends agreement;
- (m) assignment by NOMAC of all dividends that have been approved by the shareholders and are payable from Rabigh Operation and Maintenance Company and Rabigh Power Company pursuant to a Saudi law assignment of dividends agreement;
- (n) assignment by NOMAC of all dividends payable from Suez NOMAC O&M Holding Company W.L.L and Jubail Operation Holding Company W.L.L pursuant to an English law assignment of dividends agreement;
- (o) assignment by APP of all dividends that have been approved by the shareholders and are payable from NOMAC pursuant to a Saudi law assignment of dividends agreement;
- (p) assignment by the Issuer of its rights to repayment of any monies advanced to APP or the Restricted Companies pursuant to a Saudi law assignment agreement; and
- (q) assignment by ACWA Power of its right to repayments under any shareholder financing arrangements (other than in the form of a subscription of shares provided the same does not give rise to any indebtedness) provided by ACWA Power to APP or the Restricted Companies, pursuant to a Saudi law assignment of shareholder financing agreement

(collectively, together, the “**Issue Date Bond Collateral**”).

Following the transfer of shares of NOMAC to NOMAC Holding Company, NOMAC Holding Company (and any other *de minimis* shareholder of NOMAC) will assign all dividends that have been approved by the shareholders and are payable from NOMAC and following the conversion of NOMAC to a closed joint stock company, NOMAC Holding Company (and any other *de minimis* shareholder of NOMAC) will grant a Saudi law pledge over the shares of NOMAC held by NOMAC Holding Company (and any other *de minimis* shareholder of NOMAC) (the “**Post-Closing Bond Collateral**” and, together with the Issue Date Bond Collateral, the “**Bond Collateral**”). To the extent that

the NOMAC Obligations are not completed by the date falling 180 calendar days after the NOMAC Transfer Date, the Issuer will not be able to make any distributions from the Distribution Account until the NOMAC Obligations are completed. Failure to complete the NOMAC Obligations after the date falling 180 calendar days after the NOMAC Transfer Date will not be deemed a default in the observance or performance of a covenant or agreement of the Issuer or any Restricted Company in the Indenture or any Transaction Documents, unless and until the NOMAC Obligations have not been completed by the date falling 360 calendar days after the NOMAC Transfer Date. See “*Risk Factors—Risks Related to the APP Group, Project and NOMAC—The NOMAC Restructuring is subject to third party consents and approvals and we can provide no assurance that it will be completed.*”

Any additional security interests that are in the future pledged to secure obligations under the Bonds, the Indenture and the Bond Security Documents will also constitute Bond Collateral.

The additional senior secured bonds that we are entitled to issue and incur further to the Indenture will share in the Bond Collateral on a *pari passu* basis with the Bonds. To the extent any Trust Certificates, which are permitted under the Indenture, are issued after the Issue Date, holders of the Trust Certificates will have the benefit of a separate but parallel collateral package over substantially the same assets as the Bond Collateral package on a *pro rata* basis based on the aggregate principal amount of the Bonds and Additional Bonds, if any, issued and outstanding and the face amount of any Trust Certificates issued and outstanding (excluding the security over certain of the Issuer’s accounts and the pledge over the Issuer’s shares which will be pledged solely in favor of the Onshore Bond Security Agent for the benefit of the Bondholders). Pursuant to the terms of the Collateral Coordination Agreement, any proceeds received upon any enforcement action over any Bond Collateral will be applied to repayment of all obligations under the Bonds and any Additional Bonds permitted to be incurred under the Indenture, and any proceeds received upon any enforcement action over any Sukuk Collateral, if any, will be applied in repayment of all obligations under the Trust Certificates. If the Sukuk Offering takes place, the Collateral Coordination Agreement will provide for equalization between the Bondholders and the holders of the Trust Certificates in the event that, following such application, the proceeds of enforcement are insufficient to discharge all of the liabilities in respect of both the Bonds and the Trust Certificates. The proceeds from the enforcement of the Bond Collateral may not be sufficient to satisfy the obligations owed to the holders of the Bonds. See “*Risk Factors—Risks Related to the Bonds and the Bond Collateral—Risks Related to the Bond Collateral—The value of the Bond Collateral securing the Bonds may not be sufficient to satisfy our obligations under the Bonds and the Bond Collateral securing the Bonds may be reduced or diluted under certain circumstances.*” The validity and enforceability of the security interests will be subject to certain limitations. See “*Risk Factors—Risks Related to DIFC and Saudi Arabian Law—Assignment agreements may not be enforceable under the laws of the Kingdom of Saudi Arabia.*” The security interests may be released under certain circumstances.

Limited Recourse Obligations The payment of principal, premium, if any, interest and Additional Amounts in respect of the Bonds will be solely the Issuer’s

obligations and is not guaranteed by ACWA Power, APP, NOMAC or any of their respective Subsidiaries, the Project Companies or any other person.

Cross Default To the extent any Trust Certificates, which are permitted under the Indenture, are issued after the Issue Date, the Bonds will have the benefit of a cross default provision so that any default under the Trust Certificates will be a default under the Bonds.

Ranking of the Bonds The Bonds will be general senior obligations of the Issuer and:

- rank equally in right of payment with all existing and future indebtedness of the Issuer that is not subordinated in right of payment to the Bonds;
- be effectively subordinated to any existing and future indebtedness of the Issuer that is secured by property or assets that do not secure the Bonds, to the extent of the value of the property and assets securing such indebtedness; and
- rank senior in right of payment to any of the existing and future indebtedness of the Issuer that is subordinated in right of payment to the Bonds.

Use of Proceeds We expect that the aggregate gross proceeds from the Offering will be approximately US\$814,000,000. We intend to use the proceeds from the Bonds for (i) prepayment of certain existing loan facilities (including those of ACWA Power Group entities which are not Restricted Companies) and (ii) general corporate purposes of the ACWA Power Group entities including entities which may not be Restricted Companies. See “*Use of Proceeds*.”

Optional Redemption The Issuer may, at its option, redeem the Bonds, in whole or in part, at any time at a redemption price equal to: (a) 100% of the outstanding principal amount of the Bonds to be redeemed, plus (b) accrued and unpaid interest and additional amounts, if any, to the redemption date, plus (c) a “make-whole” premium as described under “*Description of the Bonds*.”

In the event of a partial redemption of the Bonds, such redemption will be applied to reduce each remaining scheduled semi-annual amortization amount of the Bonds on a *pro rata* basis.

Additional Amounts All payments made by or on behalf of the Issuer under or with respect to the Bonds will be made without withholding or deduction for taxes in any Relevant Jurisdiction (as defined in “*Description of the Bonds—Additional Amounts*”) unless required by law. If any such withholding or deduction for taxes is required by law to be made with respect to any payment under the Bonds, subject to certain exceptions, the Issuer will pay the additional amounts necessary so that the net amount received by the Bondholders after such withholding (including any withholding or deduction in respect of the additional amounts) is not less than the amount that such holders would have received in the absence of such withholding or deductions. See “*Description of the Bonds—Additional Amounts*.”

Tax Redemption The Issuer may redeem all but not less than all of the Bonds, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest and additional amounts, if any, to the redemption date, if the Issuer would become obligated to pay certain additional amounts as a result of certain changes in specified tax laws or certain other circumstances. See “*Description of the Bonds—Optional Redemption for Tax Reasons*.”

Mandatory Redemption Subject to certain exceptions, the Issuer may be required to redeem the Bonds (i) at a make-whole premium in connection with its receipt of net proceeds from certain asset sales and Project Company refinancing events and (ii) without a make-whole in connection with its receipt of certain insurance proceeds and proceeds from certain expropriation events. See “*Description of the Bonds—Mandatory Redemption.*”

Certain Covenants The Indenture, among other things, will restrict the ability of the Issuer and the other Restricted Companies to, among other things:

- incur additional indebtedness;
- pay dividends, redeem share capital and make certain investments;
- make certain other restricted payments;
- create or permit to exist certain liens;
- transfer or sell certain assets;
- merge or consolidate with other entities;
- enter into certain transactions with affiliates;
- impair the security interests created for the benefit of the Bondholders;
- change their lines of business; and
- amend and terminate the shareholders agreements or other documents to which such Restricted Companies are a party and which relate to the interests or participations held by such Restricted Companies in the Project Companies or in NOMAC’s subsidiaries, associates or joint ventures.

Additionally, the Indenture will require us and the Restricted Companies to, among other things:

- comply with applicable laws and regulations and obtain and maintain permits and certain government approvals;
- maintain the Bond Collateral;
- maintain a historical Consolidated Debt Service Coverage Ratio of not less than 1.05 to 1.00
- to the extent they have a right to do so under applicable law and after giving effect to any relevant contractual restrictions, direct the relevant ACWA Power Group entities to distribute the profits available for distribution and/or pay all fees payable to APP and ACWA Power in accordance with the Irrevocable Instructions;
- comply with and perform their respective obligations under each Project document and shareholders agreements to which they are a party and enforce all of their rights under the Project documents and the shareholders agreements;
- operate the applicable Projects and perform its obligations in material conformity with the requirements of the operations and maintenance agreements to which they are a party and enforce all of its rights thereunder;
- pay taxes; and
- maintain insurance.

Each of the covenants in the Indenture will be subject to important exceptions and qualifications. See “*Description of the Bonds—Certain Covenants.*”

- Accounts** The Issuer will be required to establish and maintain the following accounts:
- a collection account, a U.S. dollar denominated segregated account established in DIFC (the “**Collection Account**”);
 - a debt service reserve account, a U.S. dollar denominated segregated account, which may be a sub-account of the Collection Account, established in DIFC (the “**Debt Service Reserve Account**”);
 - a distribution account, a U.S. dollar denominated segregated account, established in the UAE (the “**Distribution Account**”); and
 - a redemption account, a U.S. dollar denominated segregated account, established in the DIFC (the “**Redemption Account**” and together with the Collection Account, the Debt Service Reserve Account and the Distribution Account, the “**Accounts**”).

The Bondholders will benefit from a security interest in the Collection Account, Debt Service Reserve Account and Redemption Account but will have no security interest in the Distribution Account.

ACWA Power shall have the right from time to time at its sole and absolute discretion to deposit funds (*provided* that such funds are in the form of an increase of share capital of the Issuer) in the Collection Account.

- Collection Account** Pursuant to the Irrevocable Instructions, the relevant ACWA Group entities will be required to deposit dividends, fees and other amounts received from the Project Companies and NOMAC in the Collection Account. The above cash flows will be documented pursuant to separate irrevocable instructions in the Bond Security Documents. To the extent any Trust Certificates, which are permitted under the Indenture, are issued after the Issue Date, these Irrevocable Instructions will be replaced with Irrevocable Instructions directing that such cash flows will be paid to the Collection Account and the collection account in relation to the Trust Certificates on a *pro rata* basis based on the aggregate principal amount of the Bonds and Additional Bonds, if any, issued and outstanding and the face amount of the Trust Certificates issued and outstanding. See “*Description of Bonds—Payment Waterfall.*”

- Debt Service Reserve Account** The Issuer will be required to establish and maintain a Debt Service Reserve Account for the benefit of the Bondholders. The Debt Service Reserve Account will be funded by the Issuer on the issue Date from the proceeds of the issuance of the Bonds in an amount in cash equal to the amount of Debt Service Reserve Requirement. The Debt Service Reserve Requirement means (x) as of the Issue Date and any Payment Date after the Issue Date and prior to December 15, 2031, an amount equal to the Debt Service scheduled to be due and payable under the Indenture and the Bonds for the twelve (12) month period following the relevant Payment Date and (y) as of any Payment Date on or after December 15, 2031 (other than the Payment Date immediately preceding the Maturity Date), an amount equal to the greater of: (i) Debt Service scheduled to be due and payable under the Indenture and the Bonds for the twelve (12) month period following the relevant Payment Date and (ii) the average annual Debt Service due and payable on the Bonds through to the Maturity Date; *provided* that in the case of clause (y) in no event shall the Debt Service Reserve Requirement exceed the amount of remaining Debt Service due and payable on the Bonds through to the Maturity Date.

Thereafter, the Debt Service Reserve Account will, to the extent utilized, be required to be replenished from the Collection Account, so as to maintain the Debt Service Reserve Requirement on an ongoing basis, in accordance with the provisions described under “Description of the Bonds—Accounts—Payment Waterfall.” For the Payment Date immediately prior to the Maturity Date, the Debt Service Reserve Requirement shall be equal to the average Debt Service due and payable under the Indenture and the Bonds through to the Maturity Date.

On the Maturity Date, upon satisfaction and discharge of all amounts payable under the Indenture, the amounts deposited in the Debt Service Reserve Account will be transferred to the Distribution Account.

As an alternative to depositing and/or maintaining the Debt Service Reserve Requirement in cash, ACWA Power may deliver to the Offshore Bond Security Agent one or more direct-pay on-demand irrevocable standby letters of credit issued in favor of the Offshore Bond Security Agent for the benefit of the Bondholders, *provided* that the following conditions are met (i) such Letter of Credit is provided by a bank with an international rating of at least “BBB” by S&P, or Fitch, or “Baa2” by Moody’s, (ii) such letter of credit is non-recourse to the Issuer and the Restricted Companies, (iii) the letter of credit is irrevocable, unconditional and payable upon request and (iv) such letter of credit is in an amount equal to, when combined with any amounts on deposit in the Debt Service Reserve Account, the applicable Debt Service Reserve Requirement (the “**Letter of Credit**”).

Redemption Account Pending the application of any such net proceeds to the mandatory redemption of Bonds, the net proceeds shall constitute part of the Bond Collateral and shall be deposited in an account in the name of the Issuer but controlled by, and pledged in favor of, the Offshore Bond Security Agent on behalf of the Bondholders (the “**Redemption Account**”).

Distribution Account The Issuer will also establish a Distribution Account. The Distribution Account will not be secured for the benefit of the Bondholders. The Issuer will be allowed to transfer funds into the Distribution Account as a final step in the waterfall, subject to the satisfaction of certain conditions:

- no Default or Event of Default has occurred and is continuing (or would result immediately or directly thereafter therefrom);
- the Debt Service Reserve Account is fully funded to the debt service reserve requirement for the next payment date either with cash, one or more Letters of Credit or a combination of both;
- the historical Debt Service Coverage Ratio is greater than or equal to 1.35 to 1.0 and (b) the Projected Debt Service Coverage Ratio for the twelve month period commencing on the date immediately following the relevant payment date is greater than or equal to 1.35 to 1.0; and
- the Issuer will have delivered to the Bond Trustee an Officer’s Certificate setting forth in good faith all information necessary to calculate the Debt Service Coverage Ratio and the Projected Debt Service Coverage Ratio.

Any cash balances transferred to the Distribution Account may be used by the Issuer for any purpose including making Restricted Payments, without any further conditions.

Eligible Investments Subject to there being no Default or Event of Default, funds on deposit in the Collection Account may be invested in certain Eligible Investments pending application in accordance with the Indenture, provided that all funds received in respect of such Eligible Investments upon sale or repayment of such Eligible Investments shall be available to be transferred to the Debt Service Reserve Account or the Collection Account on each Payment Date or otherwise disbursed as required by the Indenture and the other Transaction Documents. Eligible Investments shall be any one or more of the following obligations or securities, regardless of whether any such obligation or security is issued by the Bond Trustee, Offshore Bond Security Agent, Onshore Bond Security Agent or any of their respective Affiliates, which (i) is U.S. dollar-denominated, (ii) is acquired at a purchase price of not greater than par, (iii) has a remaining maturity not exceeding 180 days, (iv) is an unsubordinated obligation of its issuer, and (v) is structured on an Islamic law-compliant basis:

- direct obligations of, and obligations fully guaranteed as to timely payment of principal and interest by, the U.S. government, or any agency or instrumentality of the U.S. government the obligations of which are backed by the full faith and credit of the U.S. government;
- demand and time deposits in, certificates of deposit of, or bankers' acceptances issued by any depository institution or trust company incorporated under the laws of the U.S. or any state thereof or the District of Columbia, or the laws of any member state of the European Union (other than Ireland, Cyprus, Spain, Greece and Portugal), the Kingdom of Saudi Arabia or the United Arab Emirates (including the DIFC) and having at any date of determination combined capital, reserves and surplus of not less than US\$1 billion (or the equivalent in another currency) and a long term unsecured unsubordinated debt rating of not less than BBB by either S&P and/or Fitch and/or Baa2 by Moody's at the time of investment;
- repurchase obligations with respect to any security described in the first two bullet points above entered into with a depository institution or trust company acting as principal meeting the requirements set forth in the third bullet point above; or
- money market funds, which are offshore from the U.S., having a rating in the highest investment grade credit rating category granted thereby by S&P and/or Fitch and/or Moody's at the time of acquisition, including any fund for which either the Bond Trustee, Offshore Bond Security Agent or Onshore Bond Security Agent or any of their respective affiliates serve as an investment adviser, administrator, shareholder, servicing agent, custodian or sub-custodian notwithstanding that the Bond Trustee, Offshore Bond Security Agent or Onshore Security Agent or any of their respective affiliates charges and collects fees and expenses from such funds for services rendered.

Change of Control Upon the occurrence of certain events defined as constituting a change of control, the Issuer may be required to offer to repurchase all outstanding Bonds at a purchase price in cash equal to 101% of the principal amount thereof on the date of purchase plus accrued and unpaid interest and additional amounts, if any, to the date of purchase. See "*Description of the Bonds—Change of Control Repurchase of Bonds.*"

Transfer Restrictions	The Bonds have not been and will not be registered under the Securities Act and are subject to restrictions on transfer. See “ <i>Notice to Investors</i> ” and “ <i>Transfer Restrictions</i> .”
Form and Denomination	The Bonds will be issued only in minimum denominations of \$200,000 and integral multiples of US\$1,000 in excess thereof.
Listing	Application has been made for the Bonds to be admitted to the official list and to trading on the Global Exchange Market of the Irish Stock Exchange. No assurance can be given that the application will be granted.
Bond Trustee	Citibank, N.A., London Branch.
Registrar	Citigroup Global Markets Deutschland AG.
Paying Agent and Transfer Agent	Citibank, N.A., London Branch.
Offshore Bond Security Agent	Citibank, N.A., London Branch.
Onshore Bond Security Agent	Arab National Bank.
Irish Listing Agent	Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in connection with the Bonds and is not itself seeking admission of the Bonds to trading on the Global Exchange Market of the Irish Stock Exchange.
Governing Law	<p>The Bonds and the Indenture will be governed by the laws of the State of New York. The Collateral Coordination Agreement will be governed by the laws of England and Wales. The Bond Security Documents will be governed by the laws of the Kingdom of Saudi Arabia, the DIFC and England and Wales.</p> <p>Disputes arising under the Bonds and the Indenture will be subject to arbitration under the LCIA Rules in London, although the Bond Trustee, if so directed by the holders of at least 25% of the principal amount of the outstanding Bonds, may require the dispute to be heard in the courts of England or in any Federal or State court located in the Borough of Manhattan, The City of New York.</p>
Risk Factors	Prospective purchasers of the Bonds should consider carefully all the information included in this Offering Memorandum and, in particular, the information set forth under “ <i>Risk Factors</i> ” before making an investment in the Bonds.

RISK FACTORS

An investment in the Bonds involves a significant degree of risk. You should carefully consider the following risk factors, as well as other information included in this Offering Memorandum, before making an investment in the Bonds. Our, the APP Group's, NOMAC's and the Project Companies' business, financial condition, results of operations and/or prospects, or our ability to make payments on the Bonds, could be materially adversely affected by any of these risks. The risks described below are not the only ones that we, the APP Group, NOMAC and/or the Project Companies may face. Additional risks not at present known to us or that we currently deem immaterial may also have a negative impact on our, the APP Group's, NOMAC's and the Project Companies' business, financial condition, results of operations and/or prospects, or our ability to make payments on the Bonds.

This Offering Memorandum contains forward-looking statements that involve risks and uncertainties. The APP Group's and the Project Companies' actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by us described below and elsewhere in this Offering Memorandum. See "Disclosure Regarding Forward-Looking Statements."

Risks Related to the APP Group, Projects and NOMAC

The expected levels of available capacity to generate electricity and/or produce desalinated water at the Project Companies may not be achieved or maintained

All of the Project Companies have entered into power purchase agreements ("PPAs"), water purchase agreements ("WPAs") or power and water purchase agreements ("PWPAs"). The purchase agreement for the RAWEC IWSP also covers the purchases of steam by the offtaker. Pursuant to those agreements, revenues of the Project Companies (other than Bowarege) are principally determined by the available capacity of the relevant plant to generate power and/or to produce desalinated water or desalinated water and steam as required by the relevant offtaker. Capacity payments by the offtaker for the plant's available capacity, which are separate payments from payments for electricity actually generated or desalinated water produced at such plant, represent a majority of the overall revenue of each Project other than Bowarege. If a plant is unable to generate electricity and/or produce desalinated water at the levels required under the relevant agreements, the availability-based capacity payment made by the offtaker is reduced. Although each Project Company has made back-to-back arrangements (and has incentive and penalty mechanisms in place) with its operation and maintenance contractors in relation to the required levels of plant performance, those arrangements may not fully compensate the relevant Project Company for the reduction in revenue resulting from decreases in availability. See the "*—Operation and Maintenance Agreement*" subsections under "*Description of the Projects and NOMAC's Operations—Description of Projects.*" Consequently, a failure by an operation and maintenance contractor or subcontractor to operate and maintain the respective plant in a manner to ensure that it has the required levels of available capacity to generate electricity and/or produce desalinated water could result in a reduction in the respective Project Company's revenue, which could adversely affect its ability to pay dividends. This, in turn, could have a material adverse effect on our ability to make payments on the Bonds.

Moreover, as NOMAC is and will remain the operation and maintenance contractor with respect to four of the eight Projects and the Rabigh 2 IPP, and its two subsidiaries and one joint venture serve as the operation and maintenance contractors with respect to another three Projects, any significant penalty for underperformance payable by NOMAC, its subsidiaries or joint venture could also have a material adverse effect on its ability to pay dividends, which, in turn, could have a material adverse effect on our ability to make payments on the Bonds.

Offtakers under PPAs, WPAs and/or PWPAs or similar agreements with the Project Companies may experience financial difficulties and be unable to fulfill their obligations under these agreements

All of the Projects in operation are built on the basis of single offtakers that have pre-committed to purchase the actual power and/or desalinated water output and the available capacity to generate power or produce desalinated water of such Projects at the relevant tariffs, which is a common model in the independent power and desalinated water sectors. While some of the offtakers are Saudi Arabian government-related entities, which benefit from direct government credit support (WEC and Tawreed), other Saudi Arabian government-related entities, such as SEC and SWCC, have no such direct government credit support. There is a risk that if such government-related entities (or the Saudi Arabian government) or RAWEC ISWPP's offtaker Petro-Rabigh experience financial difficulties, they may become unable to make the payments under the relevant PPAs, WPAs or PWPAs or refuse to make such payments, which could have a material adverse effect on the relevant Project Company's business, results of operations, financial condition, prospects and its ability to pay dividends, which, in turn, could adversely affect our ability to make payments on the Bonds.

If the relevant PPA, WPA or PWPA is terminated prior to the expiry of its term (other than due to a default of the Project Company), the relevant Project Company is compensated through the payment of a lump sum or staggered termination payment by the offtaker, which is lower than the amount of capacity and output payments that would

otherwise be made by the offtakers pursuant to the relevant agreements. In such circumstances, if an offtaker either refuses to pay such amount or is otherwise unable to make this payment, it could have a material adverse effect on the relevant Project Company's business, results of operations, financial condition, prospects and its ability to pay dividends, which, in turn, could adversely affect our ability to make payments on the Bonds. Furthermore, even if an offtaker's compensation payment has the benefit of Saudi Arabian government's credit support, there can be no guarantee that the Saudi Arabian government will honor, or will have the financial capability to honor, its credit support obligations.

Offtakers are entitled to terminate the Project Companies' PPAs, WPAs or PWPAs for default by the Project Company, in which case such Project Company will lose its sole source of revenue

Offtakers under the Project Companies' PPAs, WPAs or PWPAs are entitled to terminate such agreements in case of an event of default by the respective Project Company if it is not cured within agreed cure periods. The event of defaults include, without limitation, a failure by the Project Company to achieve the Project's commercial operation date before the long-stop date; a willful and unexcused failure by the Project Company to operate or make available the respective plant for a specified period of time (usually more than two consecutive days); a failure by the Project Company to obtain and maintain approvals required under law or by their regulator in order to perform its obligations under the PPA, WPA or PWPA; a failure by the Project Company to pay any liquidated damages within specified time periods; the abandonment of the Project; a material breach by the Project Company of its obligations under the PPA, WPA or PWPA that is not remedied within the specified time period; the average availability of the plant being below the pre-agreed threshold during the time period specified in the PPA, WPA or PWPA; termination of certain agreements as a result of default by the Project Company and the Project Company's insolvency or similar events. In the case of such termination, the respective Project Company will lose its sole source of revenue. If a termination of a PPA, WPA or PWPA in the case of an event of default by any Project Company occurs, this could adversely affect such Project Company's ability to pay dividends. This, in turn, could have a material adverse effect on our ability to make payments on the Bonds.

The Projects could experience critical equipment failure

If there is a failure at any time of a critical piece of equipment resulting in a Project being unable to ensure the required level of electricity generation capacity or desalinated water production capacity, then in certain circumstances the relevant PPA, WPA or PWPA may be terminated. In the past, all Projects experienced unplanned outages due to various equipment failures. If such critical equipment failure were to occur, the relevant Project Company and the operation and maintenance contractor could suffer significant losses if these were not covered by property damage and business interruption insurance due to the costs of repair, the associated loss in revenue during the period when the Project remains non-operational and/or the incurrence of liability for liquidated damages and/or other penalties. Any such failure will impact the reputation of the affected Project Company and the operation and maintenance services provider, increase power forced outage rates, decrease technical availability and result in additional expenses, which could have a material adverse effect on their respective businesses, results of operations, financial condition, prospects and the amount of dividends payable to the shareholders, which, in turn, could adversely affect our ability to make payments on the Bonds.

Moreover, where certain critical equipment needs to be replaced due to its failure or malfunctioning, this could result in significant capital expenditure for the relevant Project Company, which may need to be procured by it if it is not covered under the supplier's warranty period or latent defect period or any property damage insurance taken out by such Project Company with respect to that Project. In the event the total amount of expenditure needed to rectify such failure exceeds the amount of funds available to the Project Company, it would need to seek to raise additional funding for the Project, which could have a material adverse effect on such Project Company's business, results of operations, financial condition, prospects and its ability to pay dividends, which, in turn, could adversely affect our ability to make payments on the Bonds.

In addition, the equipment at the plants, whether old or new, requires periodic upgrades, maintenance, improvement or repair, and replacement equipment or parts may be difficult to obtain in circumstances when the Project Company relies on a single supplier or a small number of suppliers or where suppliers become insolvent. The inability to obtain replacement equipment or parts may negatively impact the ability of the relevant plant to perform and could, therefore, have a material impact on the relevant Project Company's business, results of operations, financial condition, prospects and its ability to pay dividends, which, in turn, could adversely affect our ability to make payments on the Bonds.

The Project Companies', NOMAC's and the APP Group's financial results will differ from, and could be worse than, the results forecasted to be achieved by these entities in the Financial Model

The Financial Model summarized in this Offering Memorandum is based on a number of assumptions, including, without limitation, with respect to (i) macroeconomic factors, (ii) revenue, costs and expenses for each Project Company, (iii) payments with respect to the outstanding debt related to each Project, (iv) operation and maintenance

fees to be received by NOMAC, two of its subsidiaries and one joint venture for their operation and maintenance services to be provided to seven Projects and the Rabigh 2 IPP and their operating expenses, (v) net distributions from each Project Company and from NOMAC (taking into account the prepayment in full of certain existing loan facilities as set forth in *"Use of Proceeds,"* including, in particular, the full prepayment of APP's portion of the loans from NCB and Mizuho to NOVA and assuming that NOVA will provide an irrevocable payment undertaking requiring it to pay to the Collection Account all dividends to be paid to APGS by NOVA and APGS's 33.33% share of all affiliate loan repayments received by NOVA from SGA Marafiq Holding W.L.L (to the extent any Trust Certificates, which are permitted under the Indenture, are issued after the Issue Date, this irrevocable payment undertaking will be replaced with irrevocable payment undertakings directing that such payments will be paid to the Collection Account and the collection account in relation to the Trust Certificates on a *pro rata* basis based on the aggregate principal amount of the Bonds and Additional Bonds, if any, issued and outstanding and the face amount of any Trust Certificates issued and outstanding) (see *"Description of Certain other Financing Arrangements of Project Companies—Equity Bridge Loans—Loans to SGA Marafiq Holdings"*), (vi) taxation, (vii) no legal proceedings or material disputes, (viii) our costs and expenses, (ix) inflation, (x) working capital adjustments, (xi) other cash flows securing our obligations under the Bonds, (xii) no additional debt to be incurred by the Project Companies through 2039, and (xiii) an assumed blended interest rate (see *"Summary—The Financial Model—Summary of Significant Base Case Assumptions from the Financial Model"*). Since the U.S. Treasury rates and yield curves fluctuate, there can be no assurance that the interest rate and spread over the U.S. Treasury rate assumed for purposes of the Financial Model will not change and, consequently, they may be different from the assumed rates. The interest rate for the Bonds will be set on the pricing date on the basis of the bookbuilding process taking into account economic and market conditions as well as other factors. Investors should carefully review the summary of the Financial Model. See *"Summary of the Financial Model."*

The forward-looking information contained in the Financial Model is not projections, profit forecasts or predictions. The Financial Model is designed to illustrate hypothetical results that are mathematically derived from certain assumptions. While some of these assumptions are within our control and/or the control of the Project Companies, APP or NOMAC, other assumptions with respect to macroeconomic conditions, material contingencies and other matters are not within our control or the control of the Project Companies, APP or NOMAC. Among the assumptions made with respect to each Project other than the Bowarege IWP that are important for our ability to make required payments on the Bonds are the levels of available capacity to generate electricity and/or produce desalinated water at each Project and such Project's actual electricity generation and/or production of desalinated water as well as its operating expenses, repair and maintenance costs, capital expenditures, efficiency of the respective power and/or water desalination plant, outages affecting such plant and heat rate achieved at each power plant. Accordingly, the actual performance and cash flows of each of the eight Projects, including the amount of dividends distributed by the Project Companies to their shareholders, for any future period will differ from those shown by the results of the Financial Model for the Projects.

NOMAC's revenues are mostly derived from fees for operation and maintenance services provided to the Projects under long-term contracts. Among the assumptions made with respect to NOMAC that are important for our ability to make required payments on the Bonds are the levels of fees received by NOMAC for providing these services and the operating costs which NOMAC incurs. The actual performance and cash flows of NOMAC, including the amount of dividends it distributes to its shareholders in any future period will differ from those shown by the results of the Financial Model for NOMAC.

The summary of the Financial Model included in this Offering Memorandum should not be regarded as a representation by us, the Initial Purchasers or any other person that the results forecasted in the Financial Model will be achieved. Such information should also not be relied upon for any purpose following the consummation of the Offering contemplated by this Offering Memorandum. We do not intend to provide to the Bondholders any revisions of, or updates to, the forecasts included in the summary of the Financial Model or any analyses of the differences between the summary of the Financial Model and actual results later achieved.

Moreover, certain assumptions with respect to the future operations and business strategy of the Project Companies and NOMAC are subject to change. Accordingly, the Financial Model is not necessarily indicative of future performance of the Project Companies and/or NOMAC. Therefore, no representation is made or intended, nor should any be inferred, with respect to the likely existence of any particular future set of facts or circumstances, and prospective investors are cautioned not to place undue reliance on the summary of the Financial Model included in this Offering Memorandum. Actual results may be materially less favorable than those shown in the summary of the Financial Model, and the assumptions used in formulating the Financial Model may prove to be incorrect.

If for any reason the actual results of the Project Companies and/or NOMAC are less favorable than those shown in the Financial Model, or if the assumptions used in preparing the Financial Model change or prove to be incorrect, this could adversely affect our ability to make payments on the Bonds.

The Projects and NOMAC are heavily reliant on IT infrastructure, which may fail or be adversely affected by cyber crimes

The Projects and NOMAC are heavily reliant on information technology (“IT”) infrastructure. If the IT infrastructure, including its back-up facilities and emergency recovery procedures, were to fail for a prolonged period of time, such failure could lead to significant increased costs and potential reductions in available capacity and output at one or more Project Companies, which could result in losses for Project Companies. Moreover, while NOMAC and the Project Companies have set up IT security systems and have also provided relevant IT security training to their employees to help prevent a leak of sensitive information relating to their business, there is a risk that such systems could be affected by cyber crimes. Any such IT infrastructure failure or cyber crime could impact the affected Project Companies’ revenues and could have a material adverse effect on their business, results of operations, financial condition, prospects and their ability to pay dividends, which, in turn, could adversely affect our ability to make payments on the Bonds.

Profitability of NOMAC may be adversely affected by an increase in its costs of operation

With respect to the Projects in which NOMAC, its two subsidiaries or one joint venture is the operation and maintenance contractor or subcontractor, there is a risk that the operation and maintenance costs incurred by NOMAC, which include costs related to labor, operations, maintenance and repair, imported electricity and environmental compliance, may be significantly higher than budgeted, in particular because not all of NOMAC’s costs are fixed for the duration of the operation and maintenance contract. Consequently, any such increase in costs could impact the profitability of NOMAC and, as a result, could have a material adverse effect on NOMAC’s business, results of operations, financial condition, prospects and its ability to pay dividends, which, in turn, could adversely affect our ability to make payments on the Bonds.

The Project Companies and NOMAC rely on various third-party suppliers for the supply of certain chemicals, industrial gases and spare parts

The Project Companies and NOMAC rely on various third-party suppliers for the supply of certain chemicals and industrial gases necessary for the general operation of their respective plants, including, in particular, operations related to the desalination of seawater at the Shuaibah Expansion IWP, Shuaibah IWPP, Marafiq IWPP, Shuqaiq IWPP and RAWEC IWSPP. In addition, they rely on various third-party suppliers for the supply of spare parts. In the event that the Project Companies and NOMAC can no longer source such chemicals, industrial gases and spare parts from their current suppliers, they may incur additional costs or face business interruption due to a delay caused by sourcing these chemicals, industrial gases and spare parts from different suppliers. Any such business interruption could have a material adverse effect on the Project Companies’ and NOMAC’s business, results of operations, financial condition, prospects and their ability to pay dividends, which, in turn, could adversely affect our ability to make payments on the Bonds.

The operation and maintenance of the plants depend on the performance by various NOMAC entities of their contractual obligations

The Project Companies rely on various NOMAC entities: NOMAC for five Projects, SWEC O&M after the completion of the NOMAC Restructuring (NOMAC Limited before the completion of the NOMAC Restructuring) for the Shuaibah IWPP, Jubail O&M Company (NOMAC’s joint venture) for the Marafiq IWPP, Rabigh Operation and Maintenance Company (NOMAC’s subsidiary) for the Rabigh IPP and Rabigh Power Company (NOMAC’s subsidiary) for the RAWEC IWSPP. These entities are responsible for the operation and maintenance of their respective plants. Although in case of non-compliance with the obligations under the operation and maintenance agreements by NOMAC or any of the other operation and maintenance service providers, they will be required to pay to the Project Companies liquidated damages and certain penalties, such amounts may not be sufficient to cover any decrease in revenue or additional expenses incurred by the Project Companies. As a result, any material non-performance by a contractor or subcontractor under the respective operation and maintenance agreements could have a material adverse effect on the relevant Project Company’s business, results of operations, financial condition, prospects and its ability to pay dividends, which, in turn, could adversely affect our ability to make payments on the Bonds. In addition, there can be no assurance that the Project Companies will be able to replace any defaulting operation and maintenance contractor or subcontractor, particularly NOMAC, with a suitable replacement in time to avoid breaching their obligations under the respective PPA, WPA or PWPA and/or the Project’s financing agreements.

RAWEC is required to comply with stringent operational requirements and is subject to bespoke, operation-specific termination grounds

In captive power plants, such as the RAWEC IWSPP, which are power plants built by, or at the request of, an industrial user for its exclusive consumption, the offtaker’s main or sole source of power and steam is usually the power plant, thus exposing the offtaker to a significant power supply risk. Consequently, the offtaker may attempt to mitigate this risk by negotiating a PPA that prescribes stringent operational requirements and bespoke, operation-specific termination grounds that (i) are generally more onerous on the plant owner than would ordinarily be seen in non-captive IPPs (see note 1 to the second table in “*Description of the Projects and NOMAC’s Operations—*”

Description of Projects—RAWEC IWSPP / RAWEC—Overview”) and (ii) if exercised, would result in the project shareholders losing their equity investment and/or future equity returns (because if the power plant performs below expectations, the offtaker may be able to terminate the project, take control of the plant and remedy the issue in question). Such contractual terms customary for captive power projects are included in the amended and restated water and energy conversion agreement entered into between RAWEC and Petro-Rabigh on March 9, 2015 (“**RAWEC WECA**”) for the RAWEC IWSPP.

In 2012 and 2013, RAWEC experienced two unplanned shutdowns of the power plant (on December 29, 2012 and September 11, 2013) over a rolling 365-day period, each of which caused a complete shutdown of the plant, which resulted in Petro-Rabigh issuing a notice of intention to terminate the existing water and energy conversion agreement. ACWA Power, along with the other shareholders in RAWEC, subsequently entered into a restructuring agreement with Petro-Rabigh, with various financial consequences for RAWEC and its shareholders (excluding Petro-Rabigh) which had an adverse effect on the amount of dividends paid by RAWEC to its shareholders in 2014. For further details, see “*Description of the Projects and NOMAC’s Operations—Description of Projects—RAWEC IWSPP / RAWEC*.” While the termination of the existing water and energy conversion agreement did not materialize in this particular case, given the strict operational requirements and Petro-Rabigh-friendly termination grounds under the RAWEC WECA, there is a risk that future unplanned outages may give rise to termination of the RAWEC WECA and thus the Project. Such termination would impact RAWEC’s revenues and have a material adverse effect on its business, results of operations, financial condition, prospects and its ability to pay dividends, which, in turn, could adversely affect our ability to make payments on the Bonds.

The Project Companies may experience events of default under their financing arrangements

The occurrence of an event of default will restrict a Project Company’s ability to pay dividends to its shareholders. In addition, most of the Project Company’s assets and/or shares are secured in favor of the lenders who could enforce such security upon the occurrence of an event of default. For a description of the events of default under the financing arrangements see “*Description of Certain Other Financing Arrangements of Project Companies*.”

Furthermore, as is customary for project finance structures, most of the project finance arrangements entered into by the Project Companies contain financial indebtedness cross-default provisions. See “*Description of Certain Other Financing Arrangements of Project Companies*.” These provisions allow lenders to invoke an event of default under the financing arrangements as soon as the Project Company and/or another entity closely related to the Project Company (which commonly includes parties that are material to the Project such as the shareholders and the contractors) triggers an event of default (often in excess of an agreed monetary threshold) under other financing arrangements. This gives the lender an indirect protection over the events of default in the Project Company’s other financing documentation.

In some instances, cross-default provisions could apply to a default by other counterparties of a Project Company, such as the EPC contractor for the Project or the operation and maintenance contractor. If such counterparties suffer a default in other transactions, including unrelated to the Project, an event of default could occur under the relevant agreements for the Projects, even in the absence of any default by the Project Companies. Occurrence of an event that triggers a cross-default provision could have a material adverse effect on a Project Company’s business, results of operations, financial condition, prospects and its ability to pay dividends, which, in turn, could adversely affect our ability to make payments on the Bonds.

The ability of most Project Companies to pay dividends is restricted under their financing arrangements

The Project Companies distribute cash flows (dividends, payments on shareholder loans, operation and maintenance fees, management fees and other service fees) through a cash waterfall mechanism in their financing documents, pursuant to which the costs of the Project Company such as operation and maintenance fees, taxes, debt payments, salaries and similar payments are paid before its shareholders receive dividends. Additionally, companies incorporated in the Kingdom of Saudi Arabia, including the Project Companies and NOMAC, are required to set aside annually 10% of their net profit to statutory reserves until the statutory reserve reaches 30% of their respective share capital.

The ability of the Project Companies to distribute cash flows is dependent on satisfying certain covenant tests and conditions under their financing arrangements, which could include:

- completion of the Project;
- the occurrence of the first repayment date and the payment of all amounts due and payable on such date with respect to the facilities;
- no actual or potential event of default has occurred under the finance documents and is then continuing or would result from the payment of such dividends;
- a reserve equal to not less than six months of debt service is in place; and

- the debt service cover ratio is in excess of the debt service cover ratio test level for dividend payments for the relevant calculation period.

Individual Project Companies must also satisfy certain other conditions to be able to pay dividends. See “*Description of Certain Other Financing Arrangements of Project Companies.*” These covenant tests and conditions will restrict the ability of the relevant Project Company to pay dividends, which may adversely affect our ability to make payments on the Bonds.

The Project Companies may be subject to liabilities as a result of any violation of applicable regulations

The Project Companies and NOMAC are subject to, and required to comply with, a number of laws and regulations applicable to their business. In particular, the Project Companies are subject to an electricity law that was enacted in the Kingdom of Saudi Arabia pursuant to Royal Decree M/56 dated November 22, 2005 (the “**Electricity Law**”) and are regulated by the Electricity Cogeneration Regulatory Authority of the Kingdom of Saudi Arabia (“**ECRA**”). They conduct their electricity generation and/or seawater desalination operations under various types of licenses such as cogeneration licenses from ECRA described in “*Description of the Projects and NOMAC’s Operations—Licenses and Permits.*” Such licenses may be suspended, terminated or revoked if the Project Companies do not comply with the license requirements. The revocation or suspension of these licenses could have a material adverse effect on the Project Companies’ business, results of operations, financial condition, prospects and their ability to pay dividends, which, in turn, could adversely affect our ability to make payments on the Bonds. In addition, changes in laws and governmental regulations with respect to electricity generation and water desalination, including those relating to licensing, permits, taxes and government charges (to the extent not covered by contractual change in law protection) may lead to an increase in expenses or unforeseen capital expenditures required to ensure compliance.

As a result of the IFC ownership stake in ACWA Power and due to the equity investments by foreign shareholders in the Projects, ACWA Power and its subsidiaries and joint ventures were required to obtain and maintain investment licenses from the Saudi Arabian General Investment Authority (“**SAGIA**”). The SAGIA licenses are valid for a term of one to three years and have to be periodically renewed. While as of the date of this Offering Memorandum, ACWA Power, all companies in the APP Group and all Project Companies have valid SAGIA licenses, there can be no assurance that they will be able to renew the licenses in the future or that the licenses will not be suspended, terminated or revoked if these entities do not comply with the license requirements. A failure to maintain or renew SAGIA licenses may result in an event of default under the financing arrangements of the Project Companies and may constitute an event of default under the Indenture relating to the Bonds.

The Project Companies may be subject to liabilities as a result of violations of environmental and safety standards

The Project Companies are subject to applicable environmental and safety regulations in force in the Kingdom of Saudi Arabia that set various standards for regulating certain aspects of health, safety, security and environmental quality and impose civil and criminal penalties and other liabilities for any violations. See “*Regulation.*” The risks of environmental damage, such as pollution and leakage, are inherent in the electricity and water desalination industries, and the use of machinery and high-voltage equipment may involve significant health and safety risks. Potential health, safety and environmental events that may materially impact the Project Companies’ operations include fires, flooding, explosions, light vehicle incidents, falls from height, personal injuries and fatalities electrocutions, incidents involving equipment and emissions of harmful gases or chemicals. Fatalities, or serious injury, to employees or site contractors may occur due to these or other factors. Such events, other than fatalities, have occurred in the past and may occur in the future. There can be no guarantee that the Project Companies will be in compliance with all applicable environmental and safety regulations in force in the Kingdom of Saudi Arabia in the future. Should any Project Company fail to comply with any such regulations, it may be liable for penalties and/or the consequences of default under any contractual obligations requiring it to comply with applicable regulations.

In addition, relevant authorities in the Kingdom of Saudi Arabia may enforce existing regulations, including environmental and safety laws and regulations, more strictly than they have done in the past and may in the future impose stricter standards, or higher levels of fines and penalties for violations, than those which are in effect at present. Accordingly, we are unable to estimate the future financial impact of compliance with, or the cost of a violation of, any applicable regulations by the Project Companies.

Furthermore, the Project Companies operate in the Kingdom of Saudi Arabia, where environmental, health and safety laws, regulations and standards and their enforcement are still developing. Increasingly, the Project Companies’ stakeholders expect them to apply stringent, internationally recognized environmental, health and safety benchmarks to their operations, which could result in significant new obligations and costs for them. Failure to manage relationships with governments and non-governmental organizations may harm the Project Companies’ reputation and operations, which could in turn adversely affect the Project Companies’ revenues, results of operations and cash flows, potentially in a material manner. In addition, the Project Companies’ costs and management time required to comply with internationally recognized standards of social responsibility and sustainability are expected to increase over time.

Locations at which the Project Companies operate may be, or have been in the past, contaminated with hazardous materials, resulting in a potential liability to investigate or remediate them, as well as for claims of alleged harm to persons, property or natural resources. Liability may be imposed on the Project Companies related to contaminated sites where they are the current or previous owners, occupiers or operators or where they have sent wastes containing hazardous materials for disposal.

Any occurrence of environmental damage or loss of life or serious injury to the Project Companies' employees as a result of any breach of applicable safety legislation may result in a disruption of the Project Companies' operations or cause reputational harm, and significant liability could be imposed on such Project Companies for damages, clean-up costs and penalties and/or compensation as a result. The occurrence of any of these events could have a material adverse effect on the Project Companies' business, results of operations, financial condition, prospects and their ability to pay dividends, which, in turn, could adversely affect our ability to make payments on the Bonds.

The Project Companies have entered into transactions with related parties that may prove to be unfavorable to them or such related parties may have different economic interests from the Project Companies

The Project Companies, NOMAC and APP have entered into transactions with certain of their affiliates that are operation and maintenance contractors or subcontractors, offtakers, EPC contractors or providers of intercompany loans. See "*Related Party Transactions.*" Related party transactions are determined and recorded in the Financial Statements in accordance with Saudi GAAP and applicable Saudi Arabian rules and regulation. There can be no assurance that the terms and scope of such agreements are as favorable to the Project Companies, NOMAC and/or APP as those that may have been obtained from unaffiliated third parties. In addition, no assurance can be given that the conflicts of interest in these agreements by virtue of such parties' relation to the Project Companies, NOMAC and/or APP would not be materially disadvantageous to the Project Companies, NOMAC and/or APP during the terms of such agreements, particularly in circumstances in which the interests of the Project Companies, NOMAC and/or APP differ from the interests of their respective affiliates.

Furthermore, if the Project Companies have to contract with third parties because such related parties are unable to meet their obligations under these contracts, no assurance can be given that the Project Companies, NOMAC and/or APP could replicate the terms of these contracts, which could have a material adverse effect on the business of the Project Companies, NOMAC and/or APP, their results of operations, financial condition, prospects and their ability to pay dividends, which, in turn, could adversely affect our ability to make payments on the Bonds.

The Project Companies face risks associated with future leverage

Some Project Companies have entered into working capital facilities agreements. See "*Description of Certain Other Financing Arrangements of Project Companies.*" Bowarege has not financed its Project through project financing and, therefore, does not have restrictions on increasing future leverage which are typical for project financings. An increase in the leverage and indebtedness of a particular Project Company could, among other things:

- require a substantial portion of cash flow from operations to be dedicated to the payment of principal and commission on its indebtedness, thereby reducing their ability to use cash flow to fund operations and capital expenditures and to make distributions;
- limit their ability to obtain additional financing for working capital, capital expenditures, project development, debt service requirements and general corporate or other purposes; and
- increase the likelihood of failure to meet their respective financial and other obligations.

The potential increase in the leverage of a particular Project Company would result in additional finance expense and could have a material adverse effect on such Project Company's business, results of operations, financial condition, prospects and its ability to pay dividends, which, in turn, could adversely affect our ability to make payments on the Bonds.

The Project Companies' business is and will remain potentially vulnerable to changes in technology

The Project Companies' operations in the power generation and/or water desalination sectors makes them vulnerable to technological advances or changes. In addition, all of the Projects operate on the basis of conventional sources of energy. A major development in the alternative energy industry, such as a technological advancement making existing alternative energy sources more cost-effective or the discovery of a new source of energy, could see a significant reduction in demand for power generated by the conventional power generation plants operated by the Project Companies.

While all of the Project Companies, other than Bowarege, have the benefit of long-term offtake contracts with agreed tariffs for the duration of the contract, such technological developments could make offtake contracts unprofitable and burdensome for the respective offtakers, placing a significant strain of the relationship between the Project Companies and their respective offtakers, who in such instances may seek to renegotiate the terms of the offtake

agreements. This could have a material adverse effect on the Project Companies' business, results of operations, financial condition, prospects and ability to pay dividends, which, in turn, could adversely affect our ability to make payments on the Bonds.

Interest rate volatility might adversely affect one or more Project Companies

Under the terms of their financing arrangements, the Project Companies pay interest based on LIBOR or SIBOR plus a margin. The Project Companies are exposed to interest rate volatility with respect to their financing arrangements to the extent that they have not entered into hedge arrangements against interest rate movements, or if they have any unhedged exposure to such volatility, or if the Project Companies fail to otherwise successfully implement their strategies to mitigate the interest rate risk. Under the project financing arrangements, the Project Companies are required to hedge a portion of their exposure. For a description of such requirements, see "*Description of Certain Other Financing Arrangements of Project Companies—Shuaibah Expansion IWP / SEPCO; —Shuaibah IWPP / SWEC; —Marafiq IWPP / JWAP; —Shuqaiq IWPP / SQWEC; and —Rabigh IPP / RABEC; —Qurayyah IPP / HEPCO.*" In addition, if a hedge is not entered into at the appropriate time, it may subsequently become more expensive than initially estimated. The potential exposure to such material interest rate volatility could have a material adverse effect on any affected Project Company's business, results of operations, financial condition, prospects and its ability to pay dividends and make other distributions, which, in turn, could adversely affect our ability to make payments on the Bonds.

The operations of the APP Group, the Project Companies and NOMAC could be adversely affected if the Saudi riyal/ U.S. dollar peg were to be removed or adjusted or if the euro appreciates against the U.S. dollar and the Saudi riyal

As of the date of this Offering Memorandum, the Saudi Arabian riyal is pegged to the U.S. dollar at a fixed rate of SAR 3.75 to US\$1. However, there can be no assurance that future unanticipated events, including an increase in the rate of decline of the Saudi Arabian government's reserve assets, will not lead the Saudi Arabian government to reconsider its exchange rate policy and that the Saudi riyal will not be de-pegged in the future or that the existing peg will not be adjusted in a manner that adversely affects the APP Group, Project Companies or NOMAC. While a portion of revenues is indexed to the exchange rate, there is no certainty that such indexation covers all equity returns that are reflected in capacity payments and US\$-linked costs. The APP Group, most of the Project Companies (with the exception of SWEC) and NOMAC have not hedged their foreign exchange exposures. Therefore, any change in, or removal of, the Saudi riyal/U.S. dollar peg for any reason (including, without limitation, changes in the monetary policies of the Saudi Arabian government or the U.S. Federal Reserve) could expose the APP Group, Project Companies and/or NOMAC to foreign exchange risk, which could have a material adverse effect on their business, results of operations, financial condition and prospects as well as on the Project Companies' and/or NOMAC's ability to pay dividends, which, in turn, could adversely affect our ability to make payments on the Bonds.

In addition, NOMAC and the Project Companies have a limited portion of expenses, principally related to spare parts, in euro. If the euro appreciates against the U.S. dollar and the Saudi riyal, the costs of NOMAC and the Project Companies that have euro exposure could increase. Such increase could have an adverse effect on the business, results of operations, financial condition and prospects of NOMAC and the Project Companies as well as on their ability to pay dividends, which, in turn, could adversely affect our ability to make payments on the Bonds.

The ownership structure of the Project Companies could expose it to various risks discussed below

Many of the shareholders' agreements that APP, its subsidiaries or the intermediate holding companies have entered into, state that in the event of a material breach by a shareholder of the terms of such agreement, the defaulting shareholder is required to sell at a discount its stake in the Project Company to the non-defaulting shareholders. If APP, its subsidiaries or such Intermediate Holding Companies commit such a material breach of such shareholders' agreement, it could result in APP, its subsidiaries or such intermediate holding companies being forced to sell its stake in the relevant Project Company at a discount, which could significantly reduce APP's direct or indirect stake in, or result in APP ceasing to be a direct or indirect shareholder in, that particular Project, which, in turn, could adversely affect our ability to make payments on the Bonds.

In addition, while the decision-making process relating to the operation of the Project Companies is set forth in the shareholders' agreement, there is always a risk of a dispute arising between the shareholders of a Project Company that could result in a material disruption to the Project.

We, the APP Group and the Project Companies face the risk of material disputes and possible litigation

The Project Companies have contracted with a number of counterparties, including offtakers and, for Projects under construction, EPC contractors. There is generally a risk of disputes arising in relation to any of those agreements. See, for example, "*Description of the Projects and NOMAC's Operations—Legal Proceedings and Disputes*" for a description of a dispute with SEC relating to the Project's commercial operation date for the Qurayyah IPP and "*Description of the Projects and NOMAC's Operations—Description of Projects—RAWEC IWSPP / RAWEC—Overview*" for a description of the consequences of two unplanned plant shutdowns at RAWEC IWSPP in 2012 and

2013. In addition, entities within the APP Group, other intermediate holding companies (such as, for example, Qurayyah Investment Company), the Project Companies, NOMAC and its two subsidiaries and one joint venture that provide operation and maintenance services to the Projects could have disputes with the Saudi Arabian regulators. If such issues proceed to litigation or formal dispute resolution, or a ruling is made against any such entity, this could have a material adverse effect on such entity's results of operations, financial condition, prospects and on the ability of the Project Companies and NOMAC to pay dividends, which, in turn, could adversely affect our ability to make payments on the Bonds. For further details about material disputes in which the APP Group or the Project Companies are involved, see "*Description of the Projects and NOMAC's Operations—Legal Proceedings and Disputes.*"

In addition, we, members of the APP Group, the intermediate holding companies that have ownership interests in the Project Companies, the Project Companies and NOMAC and its two subsidiaries and one joint venture that provide operation and maintenance services to the Projects could also become subject to litigation. If a claim is for a significant amount of money, or a large number of claims are brought against any of these entities and such entity were to be found liable to pay significant amounts in respect of such claims, this could have a material adverse effect on its business, results of operations, financial condition and prospects as well as on its ability to pay dividends, which, in turn, could adversely affect our ability to make payments on the Bonds.

APP, the Project Companies and NOMAC may be adversely affected if they are not able to retain existing key senior management personnel or other key skilled employees or continue to attract and employ key personnel with the skills and experience considered suitable by the relevant entity

APP, each Project Company and NOMAC are dependent on the abilities, skills and experience of their senior management and other key skilled personnel, both in administrative and operational areas. APP, the Project Companies and NOMAC may not be able to retain existing key employees or continue to attract and employ key personnel with the skills and experience considered suitable by the relevant entity. This might result in a shortage of trained and qualified personnel. Such shortage of personnel may be a constraint on their ability to retain the resources required to run their operations effectively and, therefore, could have a material adverse effect on their business, results of operations, financial condition, prospects and the ability of the Project Companies and NOMAC to pay dividends, which, in turn, could adversely affect our ability to make payments on the Bonds.

Project Companies and/or NOMAC may not be able to obtain sufficient insurance coverage for the risks associated with their respective operations

There are inherent risks in operating a power plant such as natural disasters, fire, earthquakes, explosions, sabotage, acts of terrorism or similar events which, if they occur, can cause significant personal injury or loss of life, severe damage to, and destruction of, property, plant and equipment or contamination of, or damage to, the environment, which may result in the affected Project Company and/or NOMAC being named as a defendant in lawsuits asserting claims for substantial damages, environmental clean-up costs, personal injury and fines and/or penalties. There can be no assurance that the industry standard insurance cover that each Project Company and NOMAC maintain will be sufficient or effective under all circumstances and against all hazards or liabilities to which the Project Companies and/or NOMAC may be subject. A claim for which the Project Companies and/or NOMAC are not fully insured or insured at all could have a material adverse effect on the affected Project Company's and/or NOMAC's business, results of operations, financial condition, prospects and ability to pay dividends, which, in turn, could adversely affect our ability to make payments on the Bonds.

In particular, the Projects have obtained insurances in line with market practice to protect against business interruptions, which may be caused by equipment failures or other events. While the business interruption insurances provide protection from the loss of revenues, there is a residual exposure carried by the Projects in the form of deductible periods typically ranging between 30 days to 60 days. Therefore, we cannot guarantee that the relevant insurance coverage will be sufficient to cover all losses arising from any or all risks that the Projects are exposed to. We also cannot guarantee that the Project Companies and/or NOMAC will be able to renew existing insurance cover on commercially reasonable terms, if at all. For a description of the insurance coverage of individual Project Companies, see the "*—Insurance*" subsections in "*Description of the Projects and NOMAC's Operations—Description of Projects.*"

Operations of the Project Companies and/or NOMAC can be adversely affected by force majeure events such as fire, floods, earthquakes, tsunamis, sandstorms, explosions, acts of terrorism or sabotage or other events outside of their control

The Project Companies' and/or NOMAC's facilities and business operations could be adversely affected or disrupted by *force majeure* events such as fire, floods, earthquakes, tsunamis, sandstorms, explosions, acts of terrorism or sabotage or other events outside of their control. For example, the Bowarege IWP has previously experienced disruption due to material damage resulting from fire (see "*Description of the Projects and NOMAC's Operations—Description of Projects—Bowarege IWP / Bowarege*") and the Qurayyah IPP was adversely affected by heavy rains

and torrential storm conditions in November 2013 and severe sandstorms in March and April 2015 (see *Description of the Projects and NOMAC's Operations—Description of Projects—Qurayyah IPP / HEPCO—Overview*). There can be no guarantee that the Project Companies' and/or NOMAC's operations will not, in the future, be disrupted by such events.

The occurrence of any such events may materially disrupt or damage a key Project facility, which could adversely impact the affected Project Company's ability to operate the relevant plant and generate revenue to the extent the Project Company is not otherwise protected by business interruption insurance or pursuant to the provisions of the relevant PPA, WPA or PWPA or it cannot, for any reason, successfully recover the proceeds from the relevant insurers, and ultimately could have a material adverse effect on the Project Companies' and/or NOMAC's business, results of operations, financial condition, prospects and ability to pay dividends, which, in turn, could adversely affect our ability to make payments on the Bonds.

The NOMAC Restructuring is subject to third party consents and approvals and we can provide no assurance that it will be completed

The NOMAC Restructuring is subject to the receipt of all required lender and shareholder consents and governmental authorizations in connection with the transfer of all of APP's shares and Projects Acquisition Company's shares in NOMAC to NOMAC Holding Company. NOMAC's non-Saudi operations will be transferred to another subsidiary of NOMAC Holding Company. Prior to the transfer of NOMAC's shares to NOMAC Holding Company, NOMAC will be a subsidiary of APP and the Bondholders will benefit from a share pledge over the shares of APP and APP will also assign dividends it receives from NOMAC (which will include dividends based on net income from NOMAC's non-Saudi operations until the completion of the transfer of NOMAC's shares to NOMAC Holding Company). Upon the transfer of NOMAC's shares to NOMAC Holding Company and prior to the completion of the NOMAC Restructuring, NOMAC will no longer be a subsidiary of APP and the Bondholders will not have a pledge over the shares of NOMAC until the completion of the conversion of NOMAC into a closed joint stock company. Under the Indenture, the NOMAC Obligations will need to be completed within 180 days of the NOMAC Transfer Date but there is no requirement to complete the NOMAC Restructuring within any period following the Issue Date. If the NOMAC Obligations are not completed within this time period, we will not be able to make distributions from the Distribution Account. If the NOMAC Obligations are not completed within 360 days of the NOMAC Transfer Date, this will trigger a default under the Indenture. We cannot provide any assurance as to the timing of the receipt of all required consents and approvals related to the transfer of NOMAC's shares and the transfer of NOMAC's non-Saudi operations to another subsidiary of NOMAC Holding Company and, therefore, we can provide no assurance with respect to the expected timing of the completion of the NOMAC Restructuring.

The financial statements of the Project Companies and NOMAC are not included in this Offering Memorandum

This Offering Memorandum includes certain financial information relating to the Project Companies as of and for the years ended December 31, 2014, 2015 and 2016. Such information was derived from the audited financial statements of the Project Companies for the financial years ended December 31, 2015 and 2016. APP holds a minority stake in all Project Companies except Bowarege, which is APP's consolidated subsidiary. The audited annual financial statements of the Project Companies are not included in this Offering Memorandum. In addition, none of the Project Companies has made, or intends to make, its financial statements publicly available in full.

This Offering Memorandum also includes summary information relating to revenue, costs and other line items of NOMAC's income statement attributable to its operations in the Kingdom of Saudi Arabia, to Shuibah IWPP, to its operations outside of the Kingdom of Saudi Arabia and management's estimate of elimination and unallocated corporate items during the year ended December 31, 2016. See "*Selected Historical Financial and Other Information—Selected Consolidated Financial Information of NOMAC.*" Since NOMAC Limited is a consolidated subsidiary of APP, the information has been derived from the 2016 Special-Purpose Financial Statements and accounting records of APP and the financial statements of NOMAC are not included in this Offering Memorandum.

While we believe that we have presented in this Offering Memorandum sufficient financial information with respect to the Project Companies and NOMAC in the context of the Offering and APP's shareholdings in such Project Companies, we make no representation that the selected financial information about the Project Companies included in this Offering Memorandum is sufficient, or that it is equivalent to, or as informative as, the audited financial statements of each individual Project Company would be for the purposes of evaluating the financial performance of the Project Companies.

Risks Related to Investments in Companies Operating in the Kingdom of Saudi Arabia

We, APP, the Project Companies and NOMAC are subject to economic and political conditions in the Middle East in general and in the Kingdom of Saudi Arabia in particular

The operations of the Project Companies are, and the operations of NOMAC JSC will be, exclusively located in the Kingdom of Saudi Arabia. As a result, their operating results are, and will be, affected by financial, political and general economic developments in, or affecting, the Kingdom of Saudi Arabia and/or the Middle East and, in particular, by the level of economic activity in the Kingdom of Saudi Arabia. There can be no assurance that economic conditions in the Kingdom of Saudi Arabia will not worsen in the future or that demand for electricity and/or desalinated water will not stagnate or decrease, any of which may result in a material adverse effect on the Project Companies' and NOMAC's business, results of operations, financial condition, prospects and ability to pay dividends, which, in turn, could adversely affect our ability to make payments on the Bonds.

Similar to other countries in the Middle East, the Kingdom of Saudi Arabia could be affected by political and social unrest in the region. In particular, should the Kingdom of Saudi Arabia experience similar kinds of political and social unrest as are currently ongoing in Syria, Libya and Yemen and as previously experienced by Egypt, Bahrain and other Middle Eastern and North African countries, the Kingdom of Saudi Arabia's economy and, as a consequence, APP's, the Project Companies' and NOMAC's business could be adversely affected. The Saudi Arabian government faces a number of challenges within the Kingdom of Saudi Arabia arising mainly from the relatively high levels of population growth and unemployment among the Saudi Arabian youth and the security threat posed by certain groups of extremists, which could have an adverse effect on the Saudi Arabian economy and, as a consequence, on APP's, the Project Companies' and NOMAC's business, results of operations, financial condition, prospects and the ability of the Project Companies and NOMAC to pay dividends, which, in turn, could adversely affect our ability to make payments on the Bonds.

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

- political, social and economic issues;
- external acts of warfare and clashes;
- governmental actions or interventions, including tariffs, protectionism, subsidies, expropriation of assets and cancellation of contractual rights;
- illegal and/or unlawful acts;
- changes in, or in the interpretation, application or enforcement of, law and regulation; and
- difficulties and delays in obtaining new permits and consents for the Project Companies' and/or NOMAC's operations or renewing existing ones.

In addition, as a result of "contagion," the Kingdom of Saudi Arabia could be adversely affected by negative economic or financial developments in other emerging market countries. Key factors affecting the environment include the timing and size of increases in interest rates in the United States, further evidence of an economic slowdown in China, geopolitical tensions in the Middle East and other similar significant global events.

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

The Kingdom of Saudi Arabia's economy and the Saudi Arabian government's budget are highly dependent upon revenues from oil

The Kingdom of Saudi Arabia's economy and the Saudi Arabian government's budget are highly dependent on oil revenues. Historically, the price of oil has been volatile. Such volatility in oil prices will likely continue in the future. The price of oil may fluctuate in response to various factors including, but not limited to:

- economic and political developments in oil producing regions, particularly in the Middle East;
- global and regional supply and demand, and expectations regarding future supply and demand, for oil products;
- the ability of members of OPEC and other crude oil producing nations to agree upon and maintain specified global production levels and prices;
- the impact of international environmental regulations designed to reduce carbon emissions;
- other actions taken by major crude oil producing or consuming nations;

- global economic and political conditions;
- the availability of alternative fuels;
- prices and availability of new technologies; and
- global weather and environmental conditions.

Future volatility in the price of oil could adversely affect the Kingdom of Saudi Arabia's economy and the Saudi Arabian government's budget. As a recipient of support from the Saudi Arabian government in the form of sovereign guarantees to back the obligations of the offtakers in the case of four Projects, any effect on the availability of financial support from the Saudi Arabian government as a result of volatility in oil prices could have a material adverse effect on the relevant Project Companies' business, results of operations, financial condition, prospects and ability to pay dividends, which, in turn, could adversely affect our ability to make payments on the Bonds.

The Kingdom of Saudi Arabia has experienced terrorist attacks and other disturbances in the past

The Kingdom of Saudi Arabia has experienced occasional terrorist attacks and other disturbances in recent years, including incidents in Jeddah, Medina and Qatif in July 2016. There can be no assurance that extremists or terrorist groups will not attempt to target the Kingdom of Saudi Arabia or commit or attempt to commit violent activities in the future. Any occurrences or escalation of terrorist incidents or other disturbances in the Kingdom of Saudi Arabia could have an adverse impact on the Kingdom of Saudi Arabia's economic and financial condition and could have a material adverse effect on the Project Companies' business, results of operations, financial condition, prospects and ability to pay dividends, which, in turn, could adversely affect our ability to make payments on the Bonds.

Saudi government-related entities are shareholders in ACWA Power and the Project Companies and offtakers for some Project Companies and may exert sovereign powers

SEC, which is majority owned by the Saudi Arabian government, and PIF, which is a sovereign wealth fund of the Kingdom of Saudi Arabia, have ownership stakes in SEPCO, SWEC, JWAP, SQWEC, RABEC and HEPCO. Sanabil Direct Investment Company, which is ultimately owned by the Saudi Arabian government, and the Saudi Public Pension Agency, together own approximately 16.3% of the shares of ACWA Power. The offtake agreements for SEPCO, SWEC, JWAP and SQWEC benefit from direct guarantees of payment under offtake agreements from the Saudi Ministry of Finance. Furthermore, two companies majority owned by the Saudi Arabian government, WEC and SEC, are offtakers for six of the Projects: (i) WEC is the offtaker for SEPCO, SWEC and SQWEC and (ii) SEC is the offtaker for RABEC and HEPCO. For further details relating to the involvement of the Saudi Arabian government in the Project Companies, see *"Description of the Projects and NOMAC's Operations—Key Characteristics—ACWA Power, the Parent Company of APP and the Issuer, Enjoys Strong Sovereign Support as Investor in and Operator of Key Infrastructure."* Sovereign entities or companies that are majority-owned by the Saudi Arabian government may have interests that differ from interest of investors and may act in a way that may be adverse to interests of investors. Furthermore, they may seek to influence the Saudi Arabian authorities if they are in dispute with the Project Companies, ACWA Power, APP or NOMAC or exert any other influence, which may result in adverse consequences for various entities within the ACWA Power Group, including, in the extreme circumstances, the nationalization of their assets. Any such adverse actions by Saudi Arabian governmental authorities may impair or restrict the ability of the Project Companies and NOMAC to operate their business or to upstream dividends to their shareholders.

The ability of ACWA Power, APP, the Project Companies and NOMAC to recruit foreign employees may be adversely affected in the event of a failure to comply with Saudization requirements

Saudization is an initiative by the Saudi Arabian government, which requires that companies operating in the Kingdom of Saudi Arabia hire a certain proportion of Saudi nationals among their employees. Under a circular issued by the former Ministry of Labor (now the Ministry of Labor and Social Development), ACWA Power, APP, the Project Companies and NOMAC and its two subsidiaries and one joint venture that provide operation and maintenance services to the Projects must obtain a Saudization certificate from the former Ministry of Labor (now the Ministry of Labor and Social Development). The former Ministry of Labor (now the Ministry of Labor and Social Development) may in the future decide to impose stricter Saudization policies.

While as of the date of this Offering Memorandum, ACWA Power, APP, the Project Companies and NOMAC (including its subsidiaries and joint ventures) fully comply with those requirements, their ability to recruit foreign employees in the future may be adversely affected in the event they fail to comply with the Saudization policies and applicable ratios as issued, applied or amended by the former Ministry of Labor (now the Ministry of Labor and Social Development) in the future.

Risks Related to the Bonds and the Bond Collateral

To the extent any Trust Certificates, which are permitted under the Indenture, are issued after the Issue Date, holders of the Trust Certificates will have the benefit of a separate but parallel collateral package over substantially the same assets as the Bond Collateral package on a *pro rata* basis based on the aggregate principal amount of the

Bonds and Additional Bonds, if any, issued and outstanding and the face amount of any Trust Certificates issued and outstanding (excluding the security over certain of the Issuer's accounts and the pledge over the Issuer's shares which will be pledged solely in favor of the Onshore Bond Security Agent for the benefit of the Bondholders). Pursuant to the terms of the Collateral Coordination Agreement any proceeds received upon any enforcement action over any Bond Collateral will be applied to repayment of all obligations under the Bonds and any Additional Bonds permitted to be incurred under the Indenture, and any proceeds received upon any enforcement action over any Sukuk Collateral, if any, will be applied in repayment of all obligations under the Trust Certificates. To the extent any Trust Certificates, which are permitted under the Indenture, are issued after the Issue Date, the Collateral Coordination Agreement will provide for equalization between the Bondholders and the holders of the Trust Certificates in the event that, following such application, the proceeds of enforcement are insufficient to discharge all of the liabilities in respect of both the Bonds and Trust Certificates.

Risk Related to Our Corporate Structure and the Project Companies

We are a subsidiary with no operating history or assets and we will be dependent upon cash flows, including dividends from the Project Companies and NOMAC, to be able to make payments under the Bonds

We are a subsidiary of ACWA Power formed for the purpose of facilitating the Offering. As a recently formed subsidiary, we have no operating history, have not been engaged in activities other than those in relation to our formation and will not be engaged in activities other than those related to the Offering and we will be entirely dependent upon cash flows, consisting of dividends and certain fees assigned to the Onshore Bond Security Agent or Offshore Bond Security Agent, as appropriate, for the benefit of the Bondholders, to meet all of our obligations under the Bonds. Our only material assets will be funds that are deposited into the Collection Account. See "*Description of the Bonds—Accounts.*"

Our ability to pay amounts due on the Bonds will depend on our receipt of such cash flows. Payment of dividends, which will constitute a significant proportion of such cash flows, will be subject to the Project Companies and NOMAC being permitted or able to make such dividend payments, in some instances, and upon them meeting applicable local law requirements and taking the necessary decisions and corporate actions in order to declare and pay such dividends, over which we have no control and ACWA Power may have only a limited degree of control. The ability of the Project Companies and NOMAC to pay such dividends is subject to certain legal requirements in the Kingdom of Saudi Arabia including providing for statutory reserves, as well as a number of covenant tests and conditions in the financing arrangements of the Project Companies. See "*—Risks Related to the APP Group, Projects and NOMAC—The ability of most Project Companies to pay dividends is restricted under their financing arrangements*" and "*Description of Certain Other Financing Arrangements of Project Companies.*" Furthermore, although NOMAC's existing operation and maintenance agreements are long-term contracts, there can be no guarantee that NOMAC will not enter into agreements in the future, amend the terms of its existing operations and maintenance services agreements, or experience increases in operating costs, any of which may have an adverse effect on the amount of dividends payable to its shareholders. If funds for the payment of dividends are insufficient or unavailable, or if the Project Companies or NOMAC do not meet the contractual, operational or legal conditions for paying out dividends or experience an event of default, we may be unable to fulfil our payment obligations under the Bonds and our other debt obligations. Further, upon an event of default under any of their financing arrangements, including any technical default, the Project Companies will be prohibited from paying dividends. In addition, insolvency of ACWA Power will not constitute an event of default under the Indenture.

APP holds a minority stake in all Project Companies except Bowarege, which is a subsidiary of APP. As a result, the amount of dividends that we will receive from the Project Companies will be in proportion to the amount APP holds in each Project Company. ACWA Power intends to sell 8% of its shares held indirectly in SQWEC. It has entered into an agreement with Apicorp, under which Apicorp agreed to acquire 13.3% of the shares of Shuqaiq International Water and Electricity Company. The 13.3% stake in Shuqaiq International Water and Electricity Company gives Apicorp an 8% effective ownership stake in SQWEC. The closing of this transaction is subject to customary approvals and is expected to occur in the second quarter of 2017. ACWA Power also intends to sell 3% of its shares held indirectly in RABEC. Once the sales are completed, the amount of dividends that we will receive from SQWEC and RABEC will be reduced accordingly. The Financial Model, summarized in the section "*Summary of the Financial Model,*" assumes such a reduction in the ownership stake of ACWA Power in SQWEC and RABEC in 2017.

Following completion of the NOMAC Restructuring, NOMAC JSC will not be an operation and maintenance subcontractor for the Shuaibah IWPP, but will continue to operate and maintain (together with its two subsidiaries and one joint venture) the remaining seven Projects and the Rabigh 2 IPP. Operation and maintenance services to the Shuaibah IWPP will be provided by a different newly created entity, which will be a subsidiary of NOMAC Holding Company and which will not be assigning any fees or dividends for the benefit of the Bondholders.

If we default on the Bonds, your recourse will be limited to us

We are the only party required to make payments on the Bonds. None of ACWA Power, its affiliates or any Restricted Company will guarantee the Bonds. The only funds available to us to pay amounts due under the Bonds will be the funds placed into the Collection Account and the Debt Service Reserve Account. The Project Companies are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts due on the Bonds.

As a result, if we are unable to pay any amounts due under the Bonds, Bondholders will not be able to bring a claim for payment under the Bonds against any of ACWA Power, APP, NOMAC or any Project Company. Following a default on the Bonds, Bondholders will only have recourse to us and the Bond Collateral for payments on the Bonds and any such payment will be applied in accordance with the provisions in respect of priority of payment and security coordination set out in the Collateral Coordination Agreement. See *“Description of Certain Other Financing Arrangements of Restricted Companies—Collateral Coordination Agreement—Ranking and Priority.”*

The Project Companies, certain intermediate holding companies that hold ownership interests in the Project Companies and ACWA Power are not Restricted Companies

Under the terms of the Indenture, the Restricted Companies consist of APP and its Subsidiaries (as defined in *“Description of the Bonds”*) and, following completion of the NOMAC Obligations, NOMAC and its Subsidiaries and SAMAWEC, but only for so long as APP maintains an indirect interest in SAMAWEC at the same (or greater) percentage that existed on the Issue Date. Therefore, the Project Companies and certain intermediate holding companies that have ownership interests in the Project Companies and which are not subsidiaries of APP and ACWA Power will not be Restricted Companies and, therefore, will not be subject to any restrictive covenants under the Indenture, including, without limitation, in relation to limiting their ability to incur indebtedness, their ability to sell their assets or make restricted payments.

SGA Marafiq Holding W.L.L is an indirect joint venture of APP, in which APP holds a 33.33% ownership interest through AMWEC and is therefore not a Restricted Company. SGA Marafiq Holding W.L.L holds a 60% ownership interest in JWAP, the Project Company for the Marafiq IWPP. SGA Marafiq Holdings W.L.L entered into six affiliate loan agreements with NOVA SGA Marafiq Holdings Limited (**“NOVA”**), under which NOVA loaned to SGA Marafiq Holdings W.L.L the proceeds of two loans from National Commercial Bank and Mizuho Bank, Ltd. See *“Description of Certain Other Financing Arrangements of Project Companies—Equity Bridge Loans—Loans to SGA Marafiq Holdings.”* APP’s share of these two loans to NOVA amounted to US\$93.3 million as of December 31, 2016. APP’s share of the two loans from National Commercial Bank and Mizuho Bank, Ltd., which correspond to APP’s ownership share in SGA Marafiq Holding W.L.L (33.33%), will be prepaid from the proceeds of the Offering. Following prepayment of APP’s share of the two loans, the existing security interest for the benefit of National Commercial Bank and Mizuho Bank, Ltd. will be released.

The six affiliate loan agreements will remain in place after the Issue Date. Two of such affiliate loan agreements represent APP’s share (33.33%) of the total outstanding amount under the six affiliate loans. The six affiliate loan agreements are repayable either (i) as a bullet three years after the initial drawdown under these agreements or (ii) in installments beginning three years after the initial drawdown date. The timing of repayment is at the option of SGA Marafiq Holdings W.L.L (if no option is selected then option (ii) will apply). If option (ii) applies to any affiliate loan agreement, then (i) the interest rate will increase by a specified percentage from the date of the first repayment, and (ii) nearly all dividends to be distributed by SGA Marafiq Holdings W.L.L must be used to repay the affiliate loans. There is no shareholders’ agreement in place between the shareholders of SGA Marafiq Holdings W.L.L regulating the distribution of dividends among the shareholders and the relations between shareholders are currently governed by a consortium agreement. The Financial Model assumes that the *pro rata* effective share of APP’s receivables from SGA Marafiq Holdings W.L.L will be paid into the Collection Account. See *“Description of the Projects and NOMAC’s Operations—Marafiq IWPP / JWAP—Key Contractual Agreements—Consortium Agreement of SGA Marafiq Holdings W.L.L.”*

NOVA will provide an irrevocable payment undertaking requiring it to pay to the Collection Account all dividends due to be paid to APGS by NOVA and APGS’s 33.33% share of all affiliate loan repayments received by NOVA from SGA Marafiq Holding W.L.L. To the extent any Trust Certificates, which are permitted under the Indenture, are issued after the Issue Date, this irrevocable payment undertaking will be replaced with irrevocable payment undertakings directing that such payments will be paid to the Collection Account and the collection account in relation to the Trust Certificates on a *pro rata* basis based on the aggregate principal amount of the Bonds and Additional Bonds, if any, issued and outstanding and the face amount of any Trust Certificates issued and outstanding. The NOVA affiliate loan agreements are assigned to the lenders under the NCB Loan Agreement and the Mizuho Loan Agreement and are subordinated to the senior liabilities under the project financing at JWAP. Therefore, the irrevocable payment instructions provided by NOVA may not be effective in ensuring that the *pro rata* share of cashflows from JWAP payable to APP are deposited into the Collection Account. NOVA is not subject to any restrictions under the Indenture and we can provide no assurance that NOVA will comply with its irrevocable payment undertaking. To the extent that Mizuho or NCB exercise any of their rights relating to the affiliate loans, the

senior lenders exercise their rights under the project financing or NOVA does not comply with its irrevocable payment undertaking, this may negatively impact the cash flows from JWAP payable to APP and subject to the irrevocable payment undertaking, which in turn may have a material adverse effect on our ability to pay interest and principal on the Bonds.

Qurayyah Investment Company is a joint venture of APP, in which APP holds a 35% ownership interest. Qurayyah Investment Company is an intermediate holding company that holds a 50% ownership interest in HEPCO, the Project Company for the Qurayyah IPP. While Qurayyah Investment Company has no indebtedness as of the date of this Offering Memorandum, the terms of the Indenture will require APP to not approve any incurrence of indebtedness but will not prohibit it from incurring indebtedness in the future.

Neither we nor ACWA Power will be able to unilaterally control the operations of the Project Companies other than Bowarege

None of the Project Companies is a direct or indirect subsidiary of the Issuer, and APP holds a minority stake in all Project Companies except Bowarege, which is a subsidiary of APP. Therefore, with the exception of Bowarege, ACWA Power will not control a majority of the voting stock in the Project Companies, and, as a result, it will neither control the election of the members of the respective boards of directors nor will it control the management and policies of the Project Companies, which could result in a reduction in the cash flow available to us, which could materially and adversely affect our ability to service the Bonds, trigger an event of default under the Indenture, the acceleration of the amounts due under the Bonds and foreclosure against the Bond Collateral. Moreover, the proceeds from the Offering will be used for (i) prepayment of certain existing loan facilities (including those of ACWA Power Group entities which are not Restricted Companies) and (ii) general corporate purposes of the ACWA Power Group entities including entities which may not be Restricted Companies. No assurances can be given that, upon the occurrence of an event of default, the value of the Bond Collateral will be sufficient to cover the amounts outstanding under the Bonds.

The Issuer and Project Companies are highly leveraged

After completion of the Offering of the Bonds, the Issuer will be highly leveraged and have significant debt service obligations. As of December 31, 2016, after giving *pro forma* effect to the Offering and use of proceeds on the Issue Date as set forth under “*Use of Proceeds*,” the total amount of indebtedness of the Issuer and the Restricted Companies, including the Bonds but excluding any subordinated shareholder funding, would have been SAR 3,066.5 million (US\$817.7 million). The Indenture allows the Issuer to incur additional debt in the form of Additional Bonds in certain circumstances, which may increase our leverage going forward and impact our ability to service the Bonds. See “*Description of the Bonds—Certain Covenants—Incurrence of Indebtedness*.”

The Project Companies are highly leveraged and have significant debt service obligations pursuant to their existing financing arrangements. As of December 31, 2016, the Project Companies had SAR 36,767.9 million (US\$9,804.8 million equivalent) of total indebtedness. The Project Companies are not subject to any restrictive covenants under the Indenture and may raise additional debt in the future to the very limited extent permitted under their financing and project arrangements. If the Project Companies incur additional debt in the future, it will increase the amount of finance charge and lower the amount of net revenue generated by the Project Companies and, consequently, the amount of dividends paid to us. Further, there can be no assurance that the terms of such additional debt will not include additional restrictions on the ability of such Project Company to make dividends, which could result in a reduction in the cash flows available to us, which could materially and adversely affect our ability to service the Bonds, trigger an event of default under the Indenture, the acceleration of the amounts due under the Bonds and foreclosure against the Bond Collateral. No assurances can be given that, upon the occurrence of an event of default, the value of the Bond Collateral will be sufficient to cover the amounts outstanding under the Bonds.

The Bonds will be structurally subordinated to the liabilities of, and equity interests of minority shareholders (if any) in, the Project Companies, NOMAC and the intermediate holding companies

The claims of creditors of the Project Companies, NOMAC (including trade creditors) and the intermediate holding companies will have priority with respect to the assets and earnings of the Project Companies, NOMAC and the intermediate companies over the claims by Bondholders. In addition, to the extent that there are minority shareholders in the Project Companies and the intermediate holding companies, their equity claims will be senior to those of the Bondholders. In the event of any foreclosure, dissolution, winding-up, liquidation, reorganization, administration or other bankruptcy or insolvency proceeding of any of the Project Companies, NOMAC and the intermediate holding companies, holders of their indebtedness (including any shareholder loans permitted to be incurred under the Indenture) and their trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to its parent entity. As of December 31, 2016, the Project Companies had SAR 36,767.9 million (US\$9,804.8 million equivalent) of total indebtedness outstanding.

Risks Related to the Bonds

We may not be able to raise the funds necessary to finance a change of control offer required by the Indenture

Under the terms of the Bonds, we are required to offer to repurchase the Bonds in certain circumstances upon the occurrence of a change of control (as defined in the Indenture) at a purchase price in cash equal to 101% of the principal amount of the Bonds plus accrued and unpaid interest, if any. See “*Description of the Bonds—Change of Control Repurchase of Bonds*.” Furthermore, the terms of any Trust Certificates, which we may incur in the future, will have similar change of control protections. Sufficient funds may not be available when necessary to make any required repurchases. We may be unable to obtain sufficient funds or be unable to raise sufficient financing on satisfactory terms at the time of a change of control to repurchase the Bonds. Any failure by us to offer to purchase the Bonds would constitute a default under the Indenture.

The change of control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events, including a reorganization, restructuring, merger or other similar transaction involving us that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a “Change of Control” as defined in the Indenture. See “*Description of the Bonds—Change of Control*.” Except as described under “*Description of the Bonds—Change of Control*,” the Indenture will not contain provisions that would require the Issuer to offer to repurchase or redeem the Bonds in the event of a reorganization, restructuring, merger, recapitalization or similar transaction.

One of the circumstances under which a change of control may occur is upon the sale or disposition of “all or substantially all” of the assets of APP and its subsidiaries and NOMAC and its subsidiaries, in each case taken as a whole. There is no precise established definition of the phrase “substantially all” under applicable law and the interpretation of that phrase will likely depend upon particular facts and circumstances. Accordingly, the ability of a Bondholder to require us to repurchase its Bonds as a result of a sale of less than all our assets to another person may be uncertain.

The Bonds are subject to early redemption under certain circumstances

The Bonds are subject to redemption (i) with the payment of a make-whole premium in case of an Optional Redemption or under certain events described under “*Description of the Bonds—Mandatory Redemption*” and (ii) without payment of a make-whole premium in the event of specified changes affecting the taxation of the Bonds, upon the receipt of proceeds from certain events including insurance proceeds from a Casualty Event or proceeds from an “Expropriation Events” if certain conditions are met. Thus, you may not control how long you will hold the Bonds (and thus the return on your investment) and may not be able to find suitable reinvestment opportunities.

There is no active trading market for the Bonds

We expect the Bonds to be eligible for trading by “qualified institutional buyers,” as defined under Rule 144A, and we intend to list the Bonds on the Official List of the Irish Stock Exchange for trading on the Global Exchange Market thereof. However, we cannot assure you that the Bonds will be approved for listing or that such listing will be maintained. The Initial Purchasers have advised us that they intend to make a market in the Bonds, as permitted by applicable laws and regulations. However, the Initial Purchasers are not obligated to make a market in the Bonds and, if commenced, they may discontinue their market-making activities at any time without notice.

Therefore, an active market for the Bonds may not develop or be maintained, which would adversely affect the market price and liquidity of the Bonds. In that case, the Bondholders may not be able to sell their Bonds at a particular time or at a satisfactory price.

Even if an active trading market for the Bonds does develop, there is no guarantee that it will continue. Historically, the market for investment grade debt has been subject to severe disruptions that have caused substantial volatility in the prices of securities similar to the Bonds. The market, if any, for the Bonds may experience disruptions and any such disruptions may adversely affect the liquidity in that market or the prices at which you may sell your Bonds. In addition, subsequent to their initial issuance, the Bonds may trade at a discount from their initial offering price, depending upon prevailing interest rates, the market for similar notes, our performance and other factors.

Bondholders may be unable to effect service of process within the United States upon our directors or to enforce judgments against them or us in the U.S. courts

The Issuer and the Restricted Companies are organized outside the United States, and our business is conducted primarily outside the United States. All of the directors of the Issuer are non residents of the United States. Although we will submit to the jurisdiction of certain New York courts in connection with any action under U.S. securities laws, you may be unable to effect service of process within the United States on these directors. In addition, as substantially all the assets of the Issuer and the Restricted Companies and those of their directors and executive officers are located outside the United States, you may be unable to enforce judgments obtained in the U.S. courts against them. Moreover, actions of the Issuer may not be subject to the provisions of the federal securities laws.

The Bonds will initially be held in book-entry form, and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies

The Bonds will initially only be issued in global form and held through DTC. We refer to beneficial interests in such global bonds as “Book Entry Interests.”

Interests in the global bonds will trade in book entry form only, and the Bonds in definitive registered form, or Definitive Registered Bonds, will be issued in exchange for Book Entry Interests only in very limited circumstances. Owners of Book Entry Interests will not be considered owners of the Bonds. DTC, or its nominee, will be the sole registered holder of the global bonds representing the Bonds. Payments of principal, interest and other amounts owing on or in respect of the global bonds representing the Bonds will be made to the Principal Paying Agent, which will make payments to DTC. Thereafter, such payments will be credited to participants’ accounts that hold Book Entry Interests in the global bonds representing the Bonds and credited by such participants to indirect participants. After payment to DTC, none of the Issuer, the Bond Trustee or the Paying Agents will have any responsibility or liability for any aspect of the records relating to or payments of interest, principal or other amounts by DTC or to owners of Book Entry Interests. Accordingly, if you own a Book Entry Interest, you must rely on the procedures of DTC, and if you are not a participant in DTC, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a Bondholder under the Indenture.

Unlike Bondholders themselves, owners of Book Entry Interests will not have the direct right to act upon our solicitations for consents, requests for waivers or other actions from Bondholders (including upon the occurrence of an event of default). Instead, if you own a Book Entry Interest, you will be reliant on the custodian or its nominee (as registered Bondholder) to act on your instructions and/or will be permitted to act directly only to the extent you have received appropriate proxies to do so from DTC or, if applicable, from a participant. We cannot assure you that procedures implemented for the granting of such proxies will be sufficient to enable you to vote on any requested actions or to take any other action (including to exercise your rights under the Bonds) on a timely basis. See “*Book Entry, Delivery and Form.*”

The Bonds may not be a suitable investment for all investors

A potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, an investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained in this Offering Memorandum;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact the Bonds will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal or interest payments is different from its currency;
- seek independent tax advice;
- understand thoroughly the terms of the Bonds and be familiar with the behavior of any relevant financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate (including the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds) and other factors that may affect its investment and its ability to bear the applicable risks.

Failure by an investor to appropriately assess the risks involved in an investment in the Bonds may lead to losses.

There are significant restrictions on your ability to transfer or resell the Bonds. Bondholders will not be entitled to registration or similar rights. The Indenture will not be qualified under the Trust Indenture Act of 1939 and we will not be required to comply with the provisions of the Trust Indenture Act

The Bonds are being offered and sold pursuant to an exemption from registration under the Securities Act and applicable state securities laws and we do not currently intend to register the Bonds or exchange the Bonds for Bonds registered under the Securities Act. The Bondholders will not be entitled to require us to register the Bonds for resale or otherwise. Therefore, you may transfer or resell the Bonds in the United States only in a transaction registered under or exempt from the registration requirements of the Securities Act and applicable state securities laws, and you may be required to bear the risk of your investment for an indefinite period of time. See “*Transfer Restrictions.*” We will not be obligated to offer to exchange the Bonds for bonds registered under U.S. securities laws or register the reoffer and resale of bonds under U.S. securities laws. As a result, the transferability of the Bonds may be negatively affected. See “*Transfer Restrictions.*” The Indenture will not be qualified under the United States Trust Indenture Act of 1939, as amended (the “**Trust Indenture Act**”) and we will not be required to comply with the

provisions of the Trust Indenture Act. Therefore, Bondholders will not be entitled to the benefit of the provisions and protection of the Trust Indenture Act or similar provisions in the Indenture.

Credit ratings may not reflect all risks involved in buying and holding the Bonds, are not recommendations to buy, sell or hold the Bonds and may be subject to revision, suspension or withdrawal at any time

We expect each of S&P and Moody's to assign credit ratings to the Bonds. Credit ratings may prove to be incorrect in their risk analysis and may not reflect the potential impact of all risks related to the structure, market and other factors that may affect the value of the Bonds, including the additional risk factors discussed in this section. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agencies at any time. No assurance can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agencies if, in their judgment, circumstances in the future so warrant (including changes in their assessments of risks related to power and/or desalination plant operations generally). A suspension, reduction or withdrawal at any time of the credit rating assigned to the Bonds by one or more of the credit rating agencies may materially adversely affect the value and trading of the Bonds.

We and the Bondholders may be exposed to certain tax jurisdiction risks

Tax legislation and practice in Middle Eastern countries, including the Kingdom of Saudi Arabia and the United Arab Emirates, are constantly evolving and may not be consistently applied by tax authorities. For instance, the Ministry of Finance for the Kingdom of Saudi Arabia has recently issued a new regulation relating to rules and procedures of determining Zakat liability and its collection. See "*Regulation—Introduction of New Zakat Regulation in the Kingdom of Saudi Arabia.*" One of the key changes proposed under the new Zakat regulation, which relates to treatment of finance lease receivables, may potentially have an adverse impact on JWAP, the Project Company for the Marafiq IWPP. Current Zakat regulation, based on the ruling issued by the General Authority of Zakat and Tax (the "**GAZT**"), has allowed JWAP as a lessor to take a deduction of its finance lease receivables from its Zakat base, thereby reducing the Zakat liability of AMWEC, a Saudi shareholder of JWAP. The proposed Zakat regulation does not provide clarity on the treatment of finance lease receivables from lessor's perspective and addresses only the lessee's perspective. There are also usually no options to mitigate uncertainty created by the inconsistent application and constant evolution of the tax laws and practices due to the lack of an established practice for obtaining advance tax rulings from Middle Eastern tax authorities. Middle Eastern tax authorities are also becoming increasingly assertive and willing to challenge, audit and scrutinize transactions. The summary set out under "*Certain DIFC, Saudi Arabian and U.S. Tax Considerations*" should be reviewed bearing these considerations in mind.

We believe that interest payments on the Bonds should not be subject to Saudi Arabian withholding tax since the interest should not be viewed as derived from activity carried out in the Kingdom of Saudi Arabia because (i) we are incorporated under the laws of DIFC, (ii) we are not managed from, and we do not have operations or holdings in, the Kingdom of Saudi Arabia, and (iii) the Bonds are not secured by immovable property located in the Kingdom of Saudi Arabia. For the same reasons, we believe that a gain realized by a Bondholder who is resident outside Saudi Arabia in a disposal of the Bonds should not be subject to Saudi Arabian capital gains tax. In the event that the Saudi withholding tax rate on interest rises above 5% due to a change in tax law and Saudi outside counsel provides a legal opinion that we, ACWA Power or a Saudi affiliate has become, would become or has reasonably determined that more likely than not it would become obligated to pay such tax in respect of the Bonds, we generally have the ability to redeem the Bonds at par as discussed in "*Description of the Bonds—Optional Redemption for Tax Reasons.*" Investors should review the summary of certain tax considerations below under "*Certain DIFC, Saudi Arabian and U.S. Tax Considerations*" and "*Description of the Bonds—Optional Redemption for Tax Reasons.*" Investors must seek their own independent professional tax and investment advice regarding their own personal circumstances in relation to tax implications associated with, but not limited to, the acquisition, holding and subsequent disposal of the Bonds and the receipt of income.

Risks Related to the Bond Collateral

Security for the Bondholders includes security over certain shares, dividends, and contractual rights pursuant to the Bond Security Documents. Bondholders are not directly secured by the security granted by various entities within the ACWA Power Group to the Security Agents

The secured obligations of the Issuer are secured in favor of the Bond Security Agents (acting on behalf of the Bondholders') pursuant to the Bond Security Documents.

The security interests created under the Bond Security Documents are more particularly described in "*Description of the Bonds—Bond Collateral—Bond Security Documents.*" They consist mainly of pledges and assignments by way of security under security documents governed by the laws of the Kingdom of Saudi Arabia, DIFC or England and Wales. Bondholders will not be direct beneficiaries of the security interests granted by various entities within the ACWA Power Group under the Bond Security Documents. Bondholders will benefit from such security interests

indirectly through the grant of security by various entities within the ACWA Power Group under the Bond Security Documents to the Bond Security Agents.

Saudi law-governed security

In relation to the security interests constituted by the Bond Security Documents governed by the laws of the Kingdom of Saudi Arabia, prospective Bondholders should note the following:

- (a) if any obligation of a debtor proves to be illegal or unenforceable under Saudi Arabian law, then a pledge or assignment securing such obligation would, in respect of such obligation, also be unenforceable before the courts and judicial committees of the Kingdom of Saudi Arabia;
- (b) a Saudi law assignment will be enforceable against a third party if it is notified to and acknowledged by such third party in accordance with the terms thereof, and notices of assignment have been or will be served on the counterparties to the agreements over which the security has been granted pursuant to such Bond Security Documents. However, prospective Bondholders should note that the enforceability of an assignment purportedly by way of security remains untested before the courts of the Kingdom of Saudi Arabia. If a court or judicial committee in the Kingdom of Saudi Arabia were to consider that such an assignment were not to be enforceable, Bondholders could find it more difficult to recover the amounts owed to them under the Bonds;
- (c) to create a pledge, the pledgee must register its security interest and/or establish physical possession or control over the pledged item(s) and the pledgor should have no right to dispose of or otherwise control the pledged item(s) after the pledge has been effected. In addition, items which are the subject of a pledge must be capable of being sold. It remains uncertain whether or not a court or judicial committee in the Kingdom of Saudi Arabia will consider that a valid pledge has been created over the security interests that are capable of being sold under Saudi Arabian law;
- (d) under Islamic law as applied in the Kingdom of Saudi Arabia, security interests cannot be enforced on the grounds of a failure by the debtor to pay interest or a sum in the nature of interest (however described). Therefore, should a court in the Kingdom of Saudi Arabia consider that any amount payable by the Issuer under the Bonds constituted a payment of interest, there is a risk that the security interests constituted by the Bond Security Documents might be ineffective in respect of any non-payment thereof by the Issuer;
- (e) the granting of any security interest will only secure the amount of total debt under the terms of the relevant agreement creating the obligation purported to be owed as of the date the relevant security is granted. Therefore, were the indebtedness under the Bonds to be increased at any time after the date of this Offering Memorandum, it would be likely to be necessary to take additional security in relation to the excess amount and there can be no assurance that various entities within the ACWA Power Group would abide by their respective obligations to do this or that unencumbered assets would be available for such purpose; and
- (f) a feature of the security interests granted under the Saudi law governed Bond Security Documents is that the grantor has agreed to grant to the Onshore Bond Security Agent a Saudi law governed power of attorney in connection therewith. This enables the Onshore Bond Security Agent to take actions necessary to protect, preserve or perfect the security interests, as duly authorized attorney of the Saudi security providers. However, under the laws and regulations of the Kingdom of Saudi Arabia, an appointment (whether or not expressed to be irrevocable) of a third party as an attorney-in-fact, a proxy or an agent with authority to act on behalf of or in the name of the appointing entity or individual, is generally considered to be revocable at will. This could have a detrimental effect on the ability of the Onshore Bond Security Agent to enforce the security on behalf of the Bondholders. Any action taken by the third party pursuant to such authority before the third party is notified of its revocation will, however, be effective. Moreover, powers of attorney granted by Saudi Arabian persons or entities in the Kingdom of Saudi Arabia for use therein are made before the competent notary public in the Kingdom of Saudi Arabia. Therefore, the powers of attorney granted to the Onshore Bond Security Agent in the Bond Security Documents are likely to be unenforceable in the Kingdom of Saudi Arabia. As the Ministry of Justice of the Kingdom of Saudi Arabia has recently instituted a practice of using “prescribed forms” of powers of attorney, there is a risk that the powers of attorney in favor of the Onshore Bond Security Agent may not be notarized by any notary public in the Kingdom of Saudi Arabia to the extent such powers of attorney derogates from, or inconsistent with, the prescribed forms of powers of attorney. None of the “prescribed forms” of powers of attorney are drafted to enable the Onshore Bond Security Agent to take actions necessary to protect, preserve or perfect the security interests.

Furthermore there is a risk that a notary public in the Kingdom of Saudi Arabia will not accept for notarization a power of attorney granted in or pursuant to the Bond Security Documents on the basis that such power of attorney is granted, directly or indirectly, with a view to recovery of interest (or money deemed to be in the nature of interest.) It is the current practice of notaries public in the Kingdom of Saudi Arabia not to notarize powers of attorney where the beneficiary is, or includes, commercial banks. The assignments will not be

registered with the Unified Center for Lien Registration (“**UCLR**”). Registration of assignments with the Unified Center for Lien Registration is not required for the validity of the security interests unless laws or interpretations thereof change. Consequently, there can be no guarantee that third parties or, in the case of insolvency, a liquidator will not challenge the security interest in the absence of non-registration of the assignments with the UCLR.

English law-governed security

In relation to the security interests constituted by the Bond Security Documents governed by English law, prospective Bondholders should note the following:

- (a) an English law legal assignment will be enforceable against a third party if such third party is notified of the assignment in accordance with the terms thereof, and notices of assignment have been or will be served on the counterparties to the agreements over which the security has been granted pursuant to the Bond Security Documents;
- (b) the granting of any security interest will only secure the amount of total debt available under the terms of the relevant agreement creating the obligation purported to be secured as at the date the relevant security is granted. Therefore, were the indebtedness under the Bonds to be increased at any time after the date of this Offering Memorandum, it may be necessary to take additional security in relation to the excess amount and there can be no assurance that various entities within the ACWA Power Group would abide by their respective obligations to do this or that unencumbered assets would be available for such purpose;
- (c) under English law, a legal assignment of intangible assets can only be properly perfected, and its priority retained, through certain actions undertaken by the secured party and/or the grantor of the security. The security interests in the Bond Collateral securing the Bonds may not be perfected with respect to the claims of the Bonds if we fail or are unable to take the actions required or if the Bond Security Agents are prevented from acting in accordance with their instructions to take any action required to perfect any of these security interest. The Issuer has limited obligations to assist the Bond Security Agents in perfecting the Bondholders' security interest in specified Bond Collateral. The Bond Security Agents will have no obligation to monitor the proper perfection of security interests nor to ensure that the necessary actions will be taken to properly create and perfect the security interest in the Bond Collateral. The Bond Security Agents have no obligation to monitor the acquisition of additional property or rights that should constitute Bond Collateral or the creation or perfection of any security interest therein. Any failure in creating or perfecting security interests in the Bond Collateral may negatively affect the validity or enforceability of the security interests and limit the releasable value for the Bondholders; and
- (d) the assignments granted under one or more of the English law assignments may be equitable assignments rather than legal assignments. In the case of equitable assignments, the assignee often cannot bring an action in its own name against a third party, but must fall back on the rules governing equitable assignments and join the assignor as party to the action.

DIFC law-governed security

In relation to the security interests constituted by the Bond Security Documents governed by DIFC law, prospective Bondholders should note the following:

- (a) Pursuant to the DIFC Law of Security (Law No. 8 of 2005), in order to obtain a first priority security interest in the collateral secured by the Bond Security Documents governed by DIFC law a financing statement must be registered and maintained on the DIFC Security Registry in respect of the applicable Bond Collateral in favor of the respective Security Agent against each security provider prior to any other person registering a financing statement in respect of the same collateral. A financing statement will be registered prior to the issue of the Bonds against each security provider and no other financing statement will be registered against those entities. Each financing statement extends to any further collateral secured by the Bond Security Documents.
- (b) As the Bond Collateral constitutes financial property and deposits in DIFC bank accounts, to ensure priority of the security interest, the Bond Security Agents must have control of the Bond Collateral. Control is maintained by either having possession of the Bond Collateral or, where a third party has possession of the Bond Collateral, that third party consenting to act on the instructions of the Security Agents in respect of the collateral without further approval by the security provider. The Bond Security Documents incorporate provisions to ensure control is maintained by the Bond Security Agents.
- (c) The Law of Security also imposes certain obligations on secured creditors, including the obligation to be commercially reasonable when undertaking the disposal of collateral, including as to the method, manner, time, place and other terms of the disposal. The Law of Security may also affect the enforcement of certain rights and remedies contained in the Bond Security Documents to the extent that those rights and remedies are inconsistent with, or contrary to, certain provisions of the law.

- (d) The security interests are also subject to all insolvency, liquidation, administration or similar laws affecting creditors rights generally, including the laws affecting insolvent transactions and preferential debts under the DIFC Insolvency Law (Law No. 3 of 2009).
- (e) The security provider has the right to redeem the Bond Collateral by tender of payment in full of the obligations secured at any time prior to the sale of the Bond Collateral.
- (f) The granting of any security interest will only secure the amount of total debt under the terms of the relevant agreement creating the obligation purported to be owed as of the date the relevant security is granted. Therefore, were the indebtedness under the Bonds to be increased at any time after the date of this Offering Memorandum, it would be likely to be necessary to confirm the Bond Security Documents apply to the additional indebtedness or take additional security in relation to the excess amount and there can be no assurance that various entities within the ACWA Power Group would abide by their respective obligations to do this or that unencumbered assets would be available for such purpose.

The ability of the Bondholders to enforce the security granted over the Bond Collateral may be limited

We are incorporated under the laws of the DIFC, and the security interests in the Bond Collateral will be governed by the laws of the DIFC, the Kingdom of Saudi Arabia and England and Wales. In the event of bankruptcy, insolvency or a similar event, proceedings could be initiated in any of these jurisdictions. The rights under the Bonds and the Bond Collateral will thus be subject to the laws of a number of jurisdictions, and it may be difficult to effectively enforce such rights in multiple bankruptcy, insolvency and other similar proceedings. Moreover, such multi-jurisdictional proceedings are typically complex and costly for creditors and often result in substantial uncertainty and delay in the enforcement of creditors' rights. In addition, the bankruptcy, insolvency, administration and other laws of the DIFC, the Kingdom of Saudi Arabia and England and Wales may be materially different from, or in conflict with, one another, including creditors' rights, priority of creditors, the ability to obtain post-petition interest and the duration of the insolvency proceeding. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdictions' law should apply and could adversely affect the ability to realize any recovery under the Bonds and the Bond Collateral.

In addition, so long as there is no default under the terms of the Indenture, the Bond Security Agents will not be able to enforce the pledges of shares and the Bondholders will not be able to direct the Bond Security Agents to take any action in respect of the shares of APP or NOMAC. An event of default under the project documents at the Project Companies level does not constitute an event of default under the Indenture. A default under the Indenture will occur only if a covenant in the Indenture is breached. For example, if payments on the Bonds stop in the event enforcement proceedings start at the Project Company level and the dividends cease to be paid by the affected Project Companies.

In the event that there is an event of default under the Indenture, the Bond Security Agents will act on the instructions of the relevant Bondholders according to the terms of the Collateral Co-ordination Agreement and the Indenture.

Under Saudi law, the enforcement of a pledge over the shares of APP and NOMAC does not result in an automatic transfer of shares to the Security Agents and the pledgor (ACWA Power in the case of APP) will continue to hold the shares and be the registered owner. The Security Agents will need to apply the Saudi enforcement rules and seek an execution order from the judge in charge of the enforcement proceedings in the Kingdom of Saudi Arabia allowing the Security Agents to sell the shares by way of a public auction.

Voting rights and payment of dividends as between the pledger and the pledgee are contractual arrangements under the share pledge agreements. As the pledgor, APP will remain the registered holder of the pledged shares in case of an event of default under the Indenture, the pledgee will continue to rely on the pledgor's contractual obligations to comply with the terms of the pledge regarding the exercise of voting rights and payment of dividends in case of an event of default under the Indenture, unless the pledgor is declared bankrupt or liquidated, in which case such contractual obligations can be challenged.

The ability to transfer APP's or NOMAC's shares following enforcement by the Onshore Bond Security Agent of its rights under the relevant share pledge may in certain instances be subject to negotiations with certain counterparties in respect of the technical qualifications of the new shareholder

The ability to transfer APP's or NOMAC's shares following enforcement by the Onshore Bond Security Agent of its rights under the relevant share pledge may in certain instances be subject to negotiations with certain counterparties (including offtakers and/or export credit agencies) in respect of the technical qualifications of the new shareholder. Certain export credit agencies have linked their funding to a given Project to shareholders that satisfy their policy requirements and other criteria. The agencies may wish to apply those criteria at the time of a share transfer resulting from a share pledge enforcement. Similarly, offtakers may want to make sure that an operator that

is no longer a part of the ACWA Power Group meets the requirements necessary to operate the given plant. Offtakers may wish to consider the experience of the proposed operator at the time of the share transfer.

The Bond Collateral does not include pledges over shares of any of the Project Companies or of the intermediate holding companies that have ownership interests in the Project Companies

The Bond Collateral securing the Bonds will consist exclusively of the security interests set forth under “*Description of the Bonds—Bond Collateral*,” which includes pledges over shares in APP, the Issuer and, following completion of the NOMAC Obligations, NOMAC. The Bond Collateral will not include share pledges over any of the intermediate holding companies that have ownership interests in the Project Companies in the ACWA Power Group or any of the Project Companies. Additionally, the Project Companies and certain of the intermediate holding companies that have ownership interests in the Project Companies are not subject to the restrictions under the covenants and therefore such companies can incur additional indebtedness or engage in other activities that may negatively impact our ability to service the Bonds.

The security granted under the financing arrangements of the Project Companies does not constitute part of the Bond Collateral securing the Bonds

The outstanding debt of the Project Companies is secured on substantially all of their assets in favor of third party lenders. See “*Description of Certain Other Financing Arrangements of Project Companies*.” The Bondholders have no claims on any assets of the Project Companies. The Bondholders will not be able to enforce any rights under such security or direct the third party lenders, or the Bond Security Agents, to take any action in respect of such security.

The value of the Bond Collateral securing the Bonds may not be sufficient to satisfy our obligations under the Bonds and the Bond Collateral securing the Bonds may be reduced or diluted under certain circumstances

The Bond Collateral (excluding the security over certain of the Issuer’s accounts and the pledge over the Issuer’s shares which will be pledged solely in favor of the Bond Security Agents on behalf the Bondholders) may in the future be divided proportionately between the Bonds (including Additional Bonds, if any) and any Trust Certificates permitted to be issued under the Indenture, if such Trust Certificates are issued in the future. The Bond Collateral and the collateral securing such future Trust Certificates, if any, will be documented pursuant to separate security documents, but will be subject to the terms of the Collateral Coordination Agreement, which will regulate matters related to enforcement.

The Bond Collateral will be subject to any and all exceptions, defects, encumbrances, liens and other imperfections as may be accepted by the Security Agents as permitted under the Indenture and/or the Collateral Coordination Agreement and any creditors that also have the benefit of liens on the collateral from time to time, whether on or after the date the Bonds are issued. The existence of any such exceptions, defects, encumbrances, liens and other imperfections could adversely affect the value of the Bond Collateral as well as the ability of the Bond Security Agents to realize or foreclose on such Bond Collateral. Furthermore, the priority of security interest with respect to the Bonds can be affected by a variety of factors including, among others, the timely satisfaction of perfection requirements, statutory liens or recharacterization under applicable law.

No appraisals of any Bond Collateral have been prepared in connection with the offering of the Bonds. The value of the Bond Collateral at any time will depend on market and other economic conditions, including the availability of suitable buyers. By its nature, the Bond Collateral may be illiquid and may have no readily ascertainable market value. In addition, the Indenture will permit the granting of certain permitted liens other than those in favor of the Bondholders on assets constituting Bond Collateral. To the extent that third parties enjoy liens, including statutory liens, whether or not permitted by the Indenture or the security documents governing the Bond Collateral, such third parties may have rights and remedies with respect to all or a part of the Bond Collateral that, if exercised, could reduce the proceeds available to satisfy our obligations under the Bonds. Furthermore, upon an enforcement action, certain of our Bond Collateral will no longer be in place, reducing your ability to satisfy claims against it. For example, pursuant to certain contractual arrangements, APP’s rights to receive fees pursuant to the RAWEC Project Company’s Shareholders Agreement and the Rabigh Power Company’s Shareholders Agreement, each of which is assigned for the benefit of the Bondholders pursuant to an APP English law assignment agreement, shall each terminate upon enforcement of the Saudi law share pledge over APP and the Saudi law share pledge over NOMAC. In addition, pursuant to the APMI One Share Pledge, the Offshore Bond Security Agent will agree, on behalf of the Bondholders, that, notwithstanding the security interest created in the shares of the Issuer, the Offshore Bond Security Agent and Bondholders will have no direct right or interest in the assets of the Issuer other than the Bond Collateral, whether before or after enforcement of security over the shares of the Issuer. Moreover, the provisions of any advance or other loan made by the Issuer to other ACWA Power Group entities (which are not Restricted Companies) on or after the Issue Date, including with any net proceeds from the Offering, will provide that such advance or loan will be forgiven upon a change in control of the Issuer. The Offshore Bond Security Agent will, pursuant to the APMI One Share Pledge, on behalf of the Bondholders, acknowledge, consent and agree to the

foregoing provisions of any such advance or other loan and irrevocably waive any right or claim that the foregoing provisions of any such advance or loan constitute a fraudulent conveyance or other violation of laws intended to protect, or for the benefit of, creditors.

Realization of the Bond Collateral by the Bond Security Agents may be subject to practical problems generally associated with the realization of security interests in Bond Collateral. For example, the Bond Security Agents may be required to obtain the consent or cooperation of a third party to obtain or enforce a security interest in the Bond Collateral. In addition, the ability of the Bond Security Agents to realize value upon a foreclosure of the Bond Collateral also may be limited in that such foreclosure may result in a change of control event under certain of the Project Companies' project contracts, financing agreements, operating and other agreements, and could result in a default under such agreements, resulting in a reduction of the value of the affected Bond Collateral or the acceleration of indebtedness related thereto. We cannot assure you that the Bond Security Agents will be able to obtain any required consent from or the cooperation of the applicable third parties. We also cannot assure you that the consent or cooperation of any third party will be given when required to facilitate a foreclosure on such assets. Accordingly, the Bond Security Agents may not have the ability to foreclose upon those assets and the value of the Bond Collateral may significantly decrease.

Your rights in the Collateral may be adversely affected by the failure to perfect security interests in the Collateral

Under certain applicable law, a security interest in certain tangible and intangible assets can only be properly perfected, and its priority retained, through certain actions undertaken by the secured party and/or the grantor of the security. The security interests in the Collateral securing the Bonds may not be perfected with respect to the claims of the Bonds if we, fail or are unable to take the actions required to perfect any of these security interests. The Bond Trustee and the Security Agents will have no obligation to monitor the proper perfection of security interests or to ensure that the necessary action will be taken to properly create and perfect the security interest in the Collateral.

Any failure in creating or perfecting security interests in the Collateral may negatively affect the validity or enforceability of the security interests and limit the releasable value for the Bondholders.

There are circumstances other than repayment or discharge of the Bonds under which the Bond Collateral will be released automatically, without your consent or the consent of the Bond Trustee

Under various circumstances, the Bond Collateral securing the Bonds will be released automatically, including, without limitation:

- upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture as provided under the caption "*Description of the Bonds—Defeasance*";
- in connection with any sale or other disposition to any third party of the property or assets constituting Bond Collateral, so long as the sale or other disposition is permitted by the Indenture;
- in accordance with the Collateral Coordination Agreement and to the extent applicable any Additional Collateral Coordination Agreement as described under "*Description of Certain Other Financing Arrangements of Restricted Companies—Collateral Coordination Agreement*"; and
- as otherwise permitted under the Indenture.

Unless consented to by the Bondholders, the Collateral Coordination Agreement will provide that the Bond Security Agents shall not, in an enforcement scenario, exercise their rights to release the security interests in the Bond Collateral unless the relevant sale or disposal is made:

- for consideration all or substantially all of which is in the form of cash; and
- (to the extent that the enforcement is over Collateral with an aggregate book value exceeding US\$7.5 million or over shares of a Restricted Company) pursuant to a public auction, or a fairness opinion has been obtained from a financial adviser selected by the Bond Security Agents.

See "*Description of Certain Other Financing Arrangements of Restricted Companies—Collateral Coordination Agreement*" and "*Description of the Bonds—Certain Covenants—No Impairment of Security Interest*."

The granting of the Bond Collateral in the future in connection with any release of Sukuk Collateral prior to the maturity of the Bonds, granting of a new or additional security interest, or in transactions permitted under the "Merger and Consolidation" covenant in the Indenture, may create or restart hardening periods and the Bond Collateral may be challenged or voidable in accordance with the laws applicable in certain jurisdictions

The granting of the Bond Collateral to secure the Bonds may create hardening periods for such Bond Collateral in certain jurisdictions. The granting of security interests to secure Additional Bonds permitted to be secured on the Bond Collateral may restart or reopen such hardening periods, as the Indenture permits the release and retaking of security granted in favor of the Bonds in certain circumstances, including in connection with the incurrence of

Additional Bonds, granting of a new or additional security interest, a transaction permitted under the “Merger and Consolidation” covenant in the Indenture, subject to the receipt of a no new hardening period opinion, a solvency opinion or a solvency certificate provided by the Chief Financial Officer. The applicable hardening period for this new Bond Collateral would typically run from the moment such new Bond Collateral has been granted or perfected. In addition, to the extent any Trust Certificates, which are permitted under the Indenture, are issued after the Issue Date, the collateral securing the Bonds may be released and retaken to allow the Trust Certificates to share the collateral on a *pro rata* basis, which may create new hardening periods.

The Bond Collateral may be voidable by the relevant grantor of the Bond Collateral or by an insolvency trustee, liquidator, receiver or administrator or by other creditors, or may be otherwise set aside by a court, if certain events or circumstances exist or occur, including, among others, if the grantor is deemed to be insolvent at the time of the grant, or if the grant permits the secured parties to receive a greater recovery than if the grant had not been given and an insolvency proceeding in respect of the grantor is commenced within a legally specified hardening period following the grant. At each time, if the Bond Collateral granted or recreated were to be enforced before the end of the respective hardening period applicable in the relevant jurisdiction, it may be declared void or ineffective and/or it may not be possible to enforce it. To the extent that the creation of the Bond Collateral is voided, the Bondholders and the Security Agents would lose the benefit of such Bond Collateral and would be creditors solely of the Issuer and would therefore benefit only from any remaining Bond Collateral. The Bondholders and the Security Agent may also be required to repay any amounts received with respect to such Bond Collateral or release such Bond Collateral.

In the event that there is a future issuance of Trust Certificates that is permitted under the Indenture, the Bonds Collateral will be released and new security will be created so that the Bondholders will have the benefit of a collateral package over a *pro rata* portion of the same assets as the original Bond Collateral and the holders of the Trust Certificates will have the benefit of a separate but parallel collateral package over a *pro rata* portion of the same assets (excluding the security over certain of the Issuer’s accounts and the pledge over the Issuer’s shares which will be pledged solely in favor of the Onshore Bond Security Agent for the benefit of the Bondholders). In order to effectively secure additional Bonds under the Indenture, that are permitted by the Indenture to share in the Bond Collateral, it may be necessary in some or all jurisdictions to create additional, junior-ranking security over the Bond Collateral or amend the relevant Bond Security Documents at the time such indebtedness is incurred. If Additional Bonds issuance is permitted under the Indenture, the collateral securing the Bonds and any Trust Certificates issued after the Issue Date and outstanding may be released and retaken to allow the Additional Bonds to share the collateral on a *pro rata* basis, which may create new hardening periods. Any such new security or amendments, as well as any security interests for future permitted indebtedness arising under the existing Bond Security Documents over the Bond Collateral will likely be subject to new hardening periods and, consequently, to potential insolvency challenges. In addition, if the Issuer issues Additional Bonds with the same securities identification numbers as the Bonds offered hereby, a receiver, insolvency administrator or similar person may seek to challenge the enforceability of the Bond Collateral securing both the additional bonds and the initial Bonds even if the hardening period with respect to the Bond Collateral securing the initial Bonds has expired, based on the fact that the initial Bonds and the Additional Bonds are fungible and not distinguishable. Any such successful challenge would further reduce the proceeds available to the Bondholders.

In September 2016, the Ministry of Commerce and Investment of the Kingdom of the Saudi Arabia published a draft of a new Bankruptcy Law (the “**Draft Bankruptcy Law**”) for public consultation, which closed in October 2016. As of today, it is unknown what the final text of the Draft Bankruptcy Law will be and when or whether it will actually become a law. The draft text of the Draft Bankruptcy Law provides the liquidator with the ability to challenge before a Saudi court certain transactions entered into by the company during the 12 months prior to the commencement of insolvency proceedings (“claw back period”). The claw back period is extended to 24 months in relation to transactions with related parties. Article 275 of the Draft Bankruptcy Law enables the liquidator to challenge the company’s grant of security if it was not done for the benefit of the company and at the time of granting the security the company was insolvent or in default. An entity in default is defined in the Draft Bankruptcy Law as an entity that has stopped paying its debts when they are due. If applied strictly in the context of a transaction that is permitted under the “Merger and Consolidation” covenant in the Indenture or in connection with the granting of new or additional security, the Draft Bankruptcy Law (depending on its final text approved by Royal Decree) would allow the liquidator to challenge any share pledge by a purchaser over its capital stock in APP or NOMAC to the Bondholders if the liquidator is satisfied that the pledge was not granted for the benefit of the grantor of such share pledge and at the time of granting the grantor of the share pledge was insolvent or in default.

In the event of our bankruptcy, you may be deemed to have an unsecured claim to the extent that our obligations in respect of the Bonds exceed the fair market value of the Bond Collateral securing the Bonds

In the event of our bankruptcy, you may be deemed to have an unsecured claim to the extent that our obligations in respect of the Bonds exceed the fair market value of the Bond Collateral securing the Bonds. In any bankruptcy

proceeding with respect to us, the bankruptcy trustee or liquidator, the debtor in possession or competing creditors may assert that the fair market value of the Bond Collateral with respect to the Bonds on the date of the bankruptcy filing was less than the then current principal amount of the Bonds. Upon a finding by the bankruptcy court that the Bonds are under-collateralized, the claims in the bankruptcy proceeding with respect to the Bonds would be bifurcated between a secured claim and an unsecured claim, and the unsecured claim would not be entitled to the benefits of security in the Bond Collateral. In such event, the secured claims of the Bondholders would be limited to the value of the Bond Collateral.

The security interests in the Bond Collateral will be granted to the Security Agents rather than directly to the Bondholders. The ability of the Security Agents to enforce certain of the Collateral may be restricted by local law

The security interests in the Bond Collateral that will secure our obligations under the Bonds will not be granted directly to the Bondholders, but will be granted only in favor of the Bond Security Agents. The Indenture will provide (along with the Collateral Coordination Agreement) that only the relevant Bond Security Agent has the right to enforce the security documents. As a consequence, Bondholders will not have direct security interests and will not be entitled to take enforcement action in respect of the Bond Collateral, except through the Bond Trustee, who will (subject to the provisions of the Indenture and the Collateral Coordination Agreement) provide instructions to the Bond Security Agents (through the Coordination Agent) in respect of the enforcement of Bond Collateral. The enforcement of collateral by creditors through a security agent is untested in the Kingdom of Saudi Arabia. There can be no assurance that the courts and judicial committees of the Kingdom of Saudi Arabia will enforce the provisions of the Collateral Coordination Agreement against the Onshore Bond Security Agent or its liquidator (in the event of insolvency of the Onshore Bond Security Agent) strictly in accordance with the terms of the Collateral Coordination Agreement.

To the extent any Trust Certificates, which are permitted under the Indenture, are issued after the Issue Date, Bondholders and holders of the Trust Certificates may not agree on enforcement strategies

The Bonds will be secured by largely the same collateral which secures the Trust Certificates to the extent any Trust Certificates permitted under the Indenture are issued after the Issue Date. There may be disagreement between the Bondholders and the holders of Trust Certificates as to enforcement strategy, and the manner of pursuing enforcement remedies, with respect to the Bond Collateral and Sukuk Collateral. In such event, the Bondholders may, through the instructions required for enforcement of Bond Collateral contained in the Collateral Coordination Agreement, be bound by decisions regarding, *inter alia*, security enforcement, which they have not specifically approved and which may be adverse to their interests.

Release of liens may adversely affect Bondholders

If a Bond Security Agent sells Bond Collateral as a result of an enforcement action or other distressed disposal in accordance with the Collateral Coordination Agreement, claims under the Bonds against, and the liens over any other assets of, any entity forming part of the Bond Collateral and any subsidiaries of such entity may be released and the Bondholders will not have any claims against such entities or other assets.

There is a lack of legal and market precedent in the Kingdom of Saudi Arabia in relation to certain provisions of the Collateral Coordination Agreement

Certain provisions of the Collateral Coordination Agreement designed to protect the Bondholders and other secured creditors, such as parallel debt provisions (to create a direct debt claim in favor of a security agent to facilitate security enforcement), turnover provisions, equalization provisions and subordination provisions are largely untested in the Kingdom of Saudi Arabia. There can be no assurance that such provisions will achieve their intended purpose nor be enforced against parties to the Collateral Coordination Agreement by the courts and judicial committees of the Kingdom of Saudi Arabia.

Separate agents for onshore and offshore security interests

The Collateral Coordination Agreement appoints an Onshore Bond Security Agent in relation to secured assets in the Kingdom of Saudi Arabia, an Offshore Bond Security Agent in relation to other secured assets, in each case comprising the Bond Collateral, and a further agent to coordinate such Onshore Bond Security Agent and Offshore Bond Security Agent, and prescribes the role, and regulates the actions of all such agents. There can be no assurance that this construct would not adversely affect the interests of the Bondholders in a security enforcement scenario or otherwise. The appointment of an Onshore Bond Security Agent in relation to security interests in the Kingdom of Saudi Arabia through an agreement governed by laws other than the laws of the Kingdom of Saudi Arabia is untested in the Kingdom of Saudi Arabia. The Collateral Coordination Agreement is governed by English law; the courts and judicial committees of the Kingdom of Saudi Arabia will be unlikely to enforce provisions of the Collateral Coordination Agreement which they find to be incompatible with Islamic law principles, mandatory law or public policy, order or morals as applied in the Kingdom of Saudi Arabia. Furthermore, there can be no assurance that in the event of any claim in relation to any of the Saudi Arabian law security assignment agreements being

brought in the Kingdom of Saudi Arabia the Banking Disputes Committee will accept jurisdiction over such claim on the basis that it is a dispute between the Onshore Bond Security Agent (as a Saudi licensed bank) and the relevant KSA Collateral Provider (as a customer).

Ranking of security interests under the laws of the Kingdom of Saudi Arabia

Other than real estate mortgages, Saudi Arabian law does not categorize the ranking of security. In the case of pledges or mortgages of moveable property, it is either perfected or not perfected. If a pledge or mortgage of moveable property is perfected, then the holder of such security has a preference over unsecured creditors in relation to the secured asset, including in insolvency of the security provider. In the event that a pledge or mortgage of moveable property is not perfected, then the holder of such security will be treated as an unsecured creditor in an insolvency of the security provider. In the case of assignments, the security is effectively perfected when all the parties (the assignor, the assignee and the counterparty of the assignor) agree to the transfer of the asset in question to the assignee.

Risks Related to DIFC and Saudi Arabian Law

DIFC and Saudi Arabian laws differ from U.S. law and may afford less protection to Bondholders

Bondholders may have more difficulty protecting their interests than would security holders of a corporation incorporated in a jurisdiction of the United States. As a DIFC company, we are incorporated under and subject to DIFC law, while the other Restricted Companies are incorporated under and subject to Saudi Arabian law. DIFC law and Saudi law differ in some material respects from laws generally applicable to U.S. corporations and security holders, including the provisions relating to interested directors, mergers, amalgamations and acquisitions, takeovers, security holder lawsuits and indemnification of directors.

In the event of insolvency of the other Restricted Companies, Saudi Arabian bankruptcy law may adversely affect their ability to perform their respective obligations under the Indenture. There is little precedent to predict how claims by or on behalf of the Bondholders, the Bond Trustee or any delegate thereof would be resolved, and therefore there can be no assurance that Bondholders will receive repayment of their claims in full or at all in these circumstances.

The legal system in the Kingdom of Saudi Arabia continues to develop and this, and certain aspects of the laws of the Kingdom of Saudi Arabia, may affect the enforceability of interest-related provisions of the Indenture

The courts and adjudicatory bodies in the Kingdom of Saudi Arabia have a wide discretion as to how laws and regulations are applied to a particular set of circumstances. There is no doctrine of binding precedent in the courts of the Kingdom of Saudi Arabia, decisions of the Saudi Arabian courts and adjudicatory bodies are not routinely published and there is no comprehensive up-to-date reporting of judicial decisions. In some circumstances, it may not be possible to obtain the legal remedies provided under the laws and regulations of the Kingdom of Saudi Arabia in a timely manner. As a result of these and other factors, the outcome of any legal disputes in the Kingdom of Saudi Arabia may be uncertain.

In the Kingdom of Saudi Arabia, contractual provisions, including those governed by foreign laws, for the charging and payment of interest (or commission) have only been enforced, in an indirect manner, by the Banking Disputes Committee. However, a court or adjudicatory body in the Kingdom of Saudi Arabia applying a strict interpretation of Islamic Law may not enforce such contractual provisions and the future consistency of Saudi Arabian courts or adjudicatory bodies regarding the payment of interest (which may include interest payments on the Bonds) cannot be predicted. The Banking Disputes Committee does not grant awards for the payment of interest on interest. The Saudi law governed Bond Security Documents will secure the principal amount under the Indenture and the on demand promissory notes representing the interest, additional amounts and premium payable on the Bonds. Under Saudi law, an on demand promissory note must be presented for payment within 12 Hijra (Islamic calendar) months of its issuance date. The Indenture will require us to issue on demand promissory notes evidencing the interest, additional amounts and premium on the Bonds every 11 months, however there can be no assurance that we will issue such promissory notes. Under Saudi law, promissory notes as instruments of payment do not create a debt obligation until they become due and payable which only occurs upon their presentation for payment to the issuer. Therefore, a Saudi court may find that the Saudi law governed Bond Security Documents do not create a valid security interest with respect to the interest, additional amounts and premium under the Indenture because at the time of creation of the security interest the promissory notes were not due and payable.

Certain agreements related to the Collateral may not be enforceable under the laws of the Kingdom of Saudi Arabia

Under Islamic law as applied in the Kingdom of Saudi Arabia, an assignment of a future right or property would not be enforceable by the courts or judicial authorities of the Kingdom of Saudi Arabia. Under the terms of the Saudi law-governed assignment agreements constituting part of the Bond Collateral ("**KSA Assignment Agreements**"), various entities within the ACWA Power Group (collectively, the "**KSA Collateral Providers**") will assign their rights to receive future dividends to the Onshore Bond Security Agent. The KSA Assignment Agreements envisage that upon the approval of dividends by the shareholders, the KSA Collateral Providers will execute a further assignment notice

in respect of such dividends to the companies paying such dividends, whereby effectively attaching the assignment to such dividends to comply with the requirements of Islamic law which require that the subject matter of an assignment to be in existence at the time of the assignment. Until the KSA Collateral Providers execute the required further assignment notices in respect of dividends upon their approval by the relevant entities and such notices are acknowledged by the companies paying the dividends, the Onshore Bond Security Agent will not obtain a valid and enforceable security interest in such dividends. The KSA Assignment Agreements would likely be treated by the courts and judicial authorities of the Kingdom of Saudi Arabia as “agreements to agree” and, therefore, would not be enforceable under Islamic law as applied in the Kingdom of Saudi Arabia due to their uncertainty. In case of insolvency of any KSA Collateral Providers, the liquidator could void the execution of further assignment notices in respect of declared dividends, thereby depriving the Bondholders of a security interest in such dividends. In addition, there can be no assurance that a liquidator would not terminate the underlying assignment agreement entirely. Additionally, in an insolvency, a liquidator may void the irrevocable instructions relating to the deposit of the cash flows into the Collection Account. The enforceability of intercreditor arrangements such as the ones contained in the Collateral Coordination Agreement is largely untested before Saudi courts. Certain provision in respect of subordination contained in the Collateral Coordination Agreement to effect payment other than in the order prescribed under Saudi Arabian law may likely be found to be unenforceable in an insolvency scenario.

Unilateral promises and penalties or indemnities for not following contractual agreements may not be enforceable under the laws of the Kingdom of Saudi Arabia

A unilateral promise or a covenant to act in a certain way (other than a unilateral undertaking or covenant to irrevocably and unconditionally repay a principal amount borrowed) may not create an obligation which would be enforceable before the courts and judicial committees of the Kingdom of Saudi Arabia. Further, any indemnity provided by us in relation to the Bonds may not be enforceable under the laws and regulations of the Kingdom of Saudi Arabia to the extent that it (a) purports to be effective notwithstanding any judgment or order of a court to the contrary or (b) is contrary to any applicable law or public policy relating thereto.

Requirements of the Saudi Arabian bankruptcy laws may adversely affect the ability of ACWA Power, APP, the Project Companies or NOMAC to perform their respective obligations under the Bonds, the Indenture and the Bond Security Documents, as applicable

In the event of an insolvency of any of KSA Collateral Providers, Saudi Arabian bankruptcy laws may adversely affect their ability to perform their respective obligations under the Bonds and the Indenture. There is little precedent to predict how claims by, or on behalf of, the Bondholders, the Bond Trustee or the Security Agents and/or any delegate thereof would be resolved in the bankruptcy context, and, therefore, there can be no assurance that Bondholders will continue to benefit from the cash flows assigned to back up our payment obligations on the Bonds or continue to have access to security interests created under the Bond Security Documents if any of the entities that assigned these cash flows to us or created such securities interests becomes subject to bankruptcy proceedings.

Foreign judgments and arbitral awards may not be enforceable under the laws of the Kingdom of Saudi Arabia

A substantial portion of the Bond Collateral is located in the Kingdom of Saudi Arabia. The Indenture and the Bonds will be governed by the laws of the State of New York. Any disputes in relation to the Bonds and the Indenture will be referred to and resolved by arbitration in accordance with the LCIA Rules or, if the Bond Trustee is so directed by holders of at least 25% of the principal amount of outstanding Bonds, acting in accordance with the Indenture, the courts of England and Wales and Federal and State courts located in the Borough of Manhattan, City of New York. Ultimately, the payments under the Bonds will depend upon the Issuer complying with its payment and other obligations under the Indenture. If the Issuer does not do so, it may be necessary for an action to be brought to enforce the relevant obligations or to claim damages, as appropriate, which may be costly and time consuming.

In original actions in Saudi Arabian courts, liabilities predicated solely upon New York law or English law would only be enforceable to the extent such liabilities did not contravene Saudi Arabian law and Islamic law principles. The courts in the Kingdom of Saudi Arabia may not observe the parties' choice of New York law or English law as the governing law of the Indenture, the Bonds, the Collateral Coordination Agreement or the English law governed Bond Security Documents, as applicable. In the Kingdom of Saudi Arabia, foreign law is required to be established as a question of fact and the interpretation of New York law, by a court or judicial authority in the Kingdom of Saudi Arabia, may not accord with the interpretation of a New York court. In principle, courts and judicial authorities in the Kingdom of Saudi Arabia have the discretion to recognize the choice of foreign law and to consider the enforcement of contractual or other obligations accordingly if they are satisfied that an appropriate connection exists between the relevant transaction agreement and the foreign law which has been chosen. They will not, however, honor any provision of foreign law which is contrary to Islamic law principles, public policy, order or morals in the Kingdom of Saudi Arabia, or to any mandatory law of, or applicable in, the Kingdom of Saudi Arabia.

Enforcement of foreign court judgments and arbitral awards in the Kingdom of Saudi Arabia is regulated by a relatively new and untested law, the Enforcement Law, enacted pursuant to Royal Decree No. M/53 dated July 3,

2012 (the “**Enforcement Law**”). The Enforcement Law provides for enforcement of foreign court judgments and arbitral awards in the Kingdom of Saudi Arabia only on the basis of reciprocity. As of the date of this Offering Memorandum, the Kingdom of Saudi Arabia does not have an agreement on reciprocal enforcement of court judgments with the United States or the United Kingdom.

Each of the Kingdom of Saudi Arabia, the United Kingdom and the United States are parties to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the “**New York Convention**”) and, accordingly, a foreign arbitral award should generally be recognized and enforceable in the Kingdom of Saudi Arabia under the New York Convention, provided the conditions to enforcement set out in the New York Convention and the rules of the Enforcement Law are met.

The Enforcement Law provides that a foreign judgment or award may only be enforced in Saudi Arabia provided: (i) that the Saudi Arabian courts do not have jurisdiction over the subject-matter of the judgment or award and that the foreign award or judgment was issued by a competent authority having jurisdiction under applicable law; (ii) that the litigants to the case in respect of which the judgment or award was issued were given due notice, were properly represented and were permitted to present their own defense; (iii) that the court judgment or award has become final in accordance with the law of the court or tribunal that passed it; (iv) that the court judgment is in no way inconsistent with any judgment or order previously issued by the Saudi Arabian courts; and (v) that the judgment does not provide for anything which constitutes a breach of Saudi Arabian public order or ethics, including Islamic law. For example, Islamic law does not allow for payment of interest, so a judgment or award referring to payment of interest would not be enforceable in the Kingdom of Saudi Arabia. As a result, it may be difficult to obtain recognition or enforcement in the Kingdom of Saudi Arabia of a foreign judgment or arbitral award in respect of interest payments under the Bonds.

The arbitration agreement in the Saudi law governed Bond Security Documents may not be recognized and enforceable by the courts and judicial committees of the Kingdom of Saudi Arabia

The Saudi law governed Bond Security Documents contain a hybrid dispute resolution clause. Any disputes in relation to the Saudi law governed Bond Security Documents will be referred to and resolved by arbitration in accordance with the LCIA Rules or, at the option of the Security Agents, any court of competent jurisdiction, including the courts of the Kingdom of Saudi Arabia. Under Saudi Arabian law, only a court or judicial committee in its application of the law will finally determine the appropriate adjudicating forum for the dispute, notwithstanding the contractual election of the parties to the agreement. Dispute resolution clauses that purport only to give certain of the parties the option to choose a forum for adjudication may not be upheld by the courts and judicial committees of the Kingdom of Saudi Arabia. We are aware of an instance where the Board of Grievances accepted jurisdiction over a dispute in relation to an agreement which contained an arbitration agreement with one of the parties having an option to refer disputes to a competent court. The Board of Grievances ruled that the ability of a party to refer disputes to a court of law invalidated the arbitration agreement. Judicial precedents in the Kingdom of Saudi Arabia have no binding effect on subsequent decisions. However, we are unable to predict whether the courts and judicial committees of the Kingdom of Saudi Arabia would take the same approach when interpreting or giving effect to the dispute resolution clause in the Saudi law governed Bond Security Documents. Therefore, there can be no assurance that the courts and judicial committees of the Kingdom of Saudi Arabia will recognize and enforce the arbitration agreement in the Saudi law governed Bond Security Documents.

The laws of the Kingdom of Saudi Arabia relating to enforcement are relatively undeveloped and the interpretation of the compliance of the KSA Assignment Agreements with Islamic law principles may differ among Saudi Arabian courts and judicial committees

The KSA Assignment Agreements will be governed by, and will be construed in accordance with, the laws of the Kingdom of Saudi Arabia. Prospective Bondholders should note that the various courts and judicial committees of the Kingdom of Saudi Arabia applying Saudi Arabian law, and in particular the relevant principles of Islamic law as construed and applied pursuant to the teachings of the Hanbali school of jurisprudence, may interpret or enforce, or reinterpret, any KSA Assignment Agreement other than in accordance with its terms. In this regard, the courts and judicial committees of Kingdom of Saudi Arabia may decline to enforce any contractual or other obligation if it is their view that the enforcement thereof would be contrary to principles of Islamic law, as interpreted pursuant to the teachings of the Hanbali school of jurisprudence. Judicial precedents in the Kingdom of Saudi Arabia have no binding effect on subsequent decisions. In addition, court decisions in the Kingdom of Saudi Arabia are typically not recorded. These factors create greater judicial uncertainty.

The Saudi Arabian government has approved a restructuring of the judicial system, including the establishment of a Supreme Court as well as commercial, personal status and labour tribunals. The new Judiciary Law and Grievances Board Law were enacted by Royal Decree No. M/78 dated October 1, 2007, but have not yet been fully implemented. Under the new judiciary law, the Supreme Court has been given all the functions (other than certain administrative responsibilities) of the Supreme Judiciary Council, which previously served as the Kingdom of Saudi

Arabia's highest tribunal. It is envisaged that the Board of Grievances' current jurisdiction over commercial disputes will also pass to a new Commercial Court as part of this restructuring. It is not clear at this stage what impact on the KSA Assignment Agreements or the Bonds or any claim under the KSA Assignment Agreements or the Bonds this restructuring may have.

Any penalties for early repayment of amounts due under the Bonds or in connection with enforcement of interest and additional amounts on the Bonds may not be enforceable in the Kingdom of Saudi Arabia

Islamic law as applied in the Kingdom of Saudi Arabia encourages the repayment of debt. Therefore, there may be a risk that any prepayment penalties levied upon the early repayment of amounts outstanding under the Bonds may be found unenforceable by a court or judicial committee in the Kingdom of Saudi Arabia. Accordingly, were we to refuse to pay the make-whole premium in the case of an optional redemption of the Bonds or the amount exceeding the outstanding principal amount of the Bonds in the case of a change of control-related prepayment, a court or judicial committee in the Kingdom of Saudi Arabia could find the obligations to pay such amounts unenforceable, creating a risk that Bondholders would not receive such amounts in the case of early redemption of the Bonds.

Under Islamic law as applied in the Kingdom of Saudi Arabia, a loan that generates a benefit to the lender is considered "*riba*." As such, an obligation to pay interest or a sum in the nature of interest (however described), including any form of benefits, is not enforceable. Prospective Bondholders should note that the provisions of the Indenture relating to the payment of interest and possibly any arrangement, commitment, agency, administration or upfront fees, may not be enforceable under the laws of the Kingdom of Saudi Arabia. A court or judicial committee in the Kingdom Saudi Arabia is likely to refuse to give a judgment in respect of principal amounts to the payee of such sums in an amount greater than the principal sums found by such court or judicial committee to be due and payable less the amount of sums in the nature of interest already paid by the payer to the payee. Any amounts previously paid by the Issuer to the Bondholders in respect of sums in the nature of interest would therefore reduce the amount receivable by the Bondholders in relation to payments of principal.

In addition, there is a risk that a court or judicial committee in the Kingdom of Saudi Arabia will not give effect to an event of default other than the non-payment of amounts in the nature of principal.

A court or judicial committee in the Kingdom of Saudi Arabia may refuse to enforce the provision in the Indenture requiring us to make additional payments to the Bondholders in the event of a deduction or withholding, required by applicable law, of certain taxes in certain circumstances, so that the affected Bondholders receive the full amount due to them

Any provision of the Indenture with respect to indemnification, reimbursement, increased costs or non-deductibility of taxes, to the extent that such a provision is interpreted by a relevant court or judicial committee in the Kingdom of Saudi Arabia to be an attempt to recover amounts which are not actually a direct result of a default by the party against whom the claim is being made, may not be enforceable.

Prospective Bondholders should note that the Indenture contains provisions in which we agree to make additional payments to the Bondholders in the event of a deduction or withholding, required by applicable law, of certain taxes in certain circumstances, so that the affected Bondholders receive the full amount due to them. Were we to refuse to comply with our obligations under these provisions, there is a risk that a court or judicial committee in the Kingdom of Saudi Arabia will consider such obligations unenforceable, which will result in Bondholders receiving less than they are owed under the Bonds.

USE OF PROCEEDS

We expect that the aggregate gross proceeds from the Offering will be approximately US\$814.0 million. The net proceeds from the Offering after estimated fees and expenses of US\$15.7 million associated with the Offering are expected to be US\$798.3 million.

ACWA Power intends to use the proceeds from the Offering for:

- the prepayment of the existing loan facilities set forth in the table below; and
- general corporate purposes of the ACWA Power Group entities including entities which may not be Restricted Companies.

The Issuer does not intend to keep any amount of the proceeds from the Offering other than the deposit into the Debt Service Reserve Account after application of the proceeds of the Offering as described in the table below.

To prepay the existing loan facilities set forth in the table below, the proceeds of the Offering, in the aggregate amount of SAR 1,037,175 thousand, will be transferred directly or indirectly through loans from ACWA Power and a subsidiary of ACWA Power to APP. APP will, in turn, use such proceeds to:

- make a shareholder loan to Shuaibah National Company for Water and Power for the prepayment of an outstanding loan in the amount of SAR 330,625 thousand (or ACWA Power may prepay the outstanding loan to Shuaibah National Company for Water and Power and then get reimbursed out of the proceeds from the Offering);
- make a shareholder loan to its joint venture Shuqaiq International Water and Electricity Company for the prepayment of an outstanding equity bridge loan in the amount of SAR 470,550 thousand; and
- make a shareholder loan to its associate RAWEC for the prepayment of an outstanding loan in the amount of SAR 236,000 thousand.

In addition, a portion of the proceeds from the Offering, will be transferred indirectly to NOVA for the prepayment of an equity bridge loan in the amount of SAR 350,000 thousand.

The following table sets forth the estimated sources and uses of funds in connection with the Offering. The actual amounts set forth in the table and in the accompanying footnotes are subject to adjustment and may differ at the time of the consummation of the Offering, depending on several factors, including differences from our estimate of fees, expenses, debt balances, accrued interest and breakage fees, to the extent applicable.

<u>SOURCES OF FUNDS</u>	<u>AMOUNT</u> <i>(In US\$ thousand)</i>	<u>USES OF FUNDS</u>	<u>AMOUNT</u> <i>(In SAR thousand)</i>	<u>AMOUNT</u> <i>(In US\$ thousand)⁽¹⁾</i>
Bonds offered hereby	814,000	Prepayment in full of certain existing loan facilities		
Total	<u>814,000</u>	Loan to Shuaibah National Company for Water and Power ⁽²⁾	330,625	88,167
		Equity bridge loan to Shuqaiq International Water and Electricity Company ⁽³⁾	470,550	125,000
		Loan to RAWEC ⁽⁴⁾	236,000	62,933
		Equity bridge loan to NOVA (in relation to JWAP) ⁽⁵⁾	350,000	93,333
		General corporate purposes of ACWA Power Group⁽⁶⁾	1,426,628	380,434
		Deposit into the Debt Service Reserve Account⁽⁷⁾	181,624	48,433
		Fees and expenses relating to the Offering	58,875	15,700
		Total	<u>3,052,500</u>	<u>814,000</u>

Notes:

- (1) The conversion rate used to translate figures in Saudi riyals in the previous column into U.S. dollars is US\$1 = 3.75.
- (2) Loan from Arab National Bank. Instead of advancing a shareholder loan to Shuaibah National Company for Water and Power for the prepayment of its outstanding loan, ACWA Power may prepay the outstanding loan to Shuaibah National Company for Water and Power and then get reimbursed out of the proceeds from the Offering.
- (3) Loan from Arab National Bank.
- (4) Loan from Banque Saudi Fransi.

- ⁽⁵⁾ Full prepayment of APP's portion of the loans from National Commercial Bank and Mizuho Bank, Ltd. See "*Description of Certain Other Financing Arrangements of Project Companies—Equity Bridge Loans—Loans to SGA Marafiq Holdings.*"
- ⁽⁶⁾ The remaining balance of net proceeds from the Offering will be used for general corporate purposes of the ACWA Power Group entities including entities which may not be Restricted Companies.
- ⁽⁷⁾ The Debt Service Reserve Account will be funded by the Issuer on the Issue Date from the proceeds of the Offering in an amount in cash equal to the amount of Debt Service Reserve Requirement. See "*Description of the Bonds—Accounts—The Debt Service Reserve Account.*"

CAPITALIZATION

You should read the following two capitalization tables in conjunction with “*Disclosure Regarding Forward-Looking Statements*,” “*Risk Factors*,” “*Selected Historical Financial and Other Information*,” “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*,” “*Description of the Projects and NOMAC’s Operations*,” “*Description of Certain Other Financing Arrangements of Restricted Companies*,” “*Description of Certain Other Financing Arrangements of Project Companies*” and the Financial Statements and related notes included elsewhere in this Offering Memorandum.

The following table sets forth our cash and cash equivalents, capitalization and indebtedness as of December 31, 2016 on an actual basis and on an as-adjusted basis to give effect to the Offering and the use of proceeds therefrom, as described in “*Use of Proceeds*.”

	AS OF DECEMBER 31, 2016	
	ACTUAL	AS ADJUSTED
	<i>(in US\$ thousand)</i>	
Bank and cash balances	—	<u><u>48,433</u></u> ⁽¹⁾
Long-term debt:		
Bonds	—	814,000
Total long-term debt	—	<u><u>814,000</u></u>
Share capital	50	50
Total equity	<u><u>50</u></u>	<u><u>50</u></u>
Total capitalization ⁽²⁾	<u><u>50</u></u>	<u><u>814,050</u></u>

Notes:

⁽¹⁾ Represents the amount of Debt Service Reserve Requirement that will be deposited by the Issuer into the Debt Service Reserve Account on the Issue Date. See “*Description of the Bonds—Accounts—The Debt Service Reserve Account*.”

⁽²⁾ The sum of total long-term debt, net of current portion, and total equity.

The table below sets forth the APP Group’s bank balances and cash, capitalization and indebtedness as of December 31, 2016 on an actual basis and on an as-adjusted basis to give effect to the following:

Cash Injection into the APP Group

A portion of the proceeds of the Offering amounting to SAR 1,037,175 thousand in the aggregate will be injected into the APP Group as loans from ACWA Power and a subsidiary of ACWA Power.

Uses of Cash Injected into the APP Group

Cash injected into the APP Group will be:

- advanced as a shareholder loan to Shuaibah National Company for Water and Power for the prepayment of an outstanding loan in the amount of SAR 330,625 thousand (or ACWA Power may prepay the outstanding loan to Shuaibah National Company for Water and Power and then get reimbursed out of the proceeds from the Offering);
- advanced as a shareholder loan to APP’s joint venture Shuqaiq International Water and Electricity Company for the prepayment of an outstanding equity bridge loan in the amount of SAR 470,550 thousand; and
- advanced as a shareholder loan to APP’s associate RAWEC for the prepayment of an outstanding loan in the amount of SAR 236,000 thousand.

	AS OF DECEMBER 31, 2016	
	ACTUAL	AS ADJUSTED
	<i>(in SAR thousand)</i>	
Bank balances and cash	181,960	181,960
Loans from parent/subsidiary of parent ⁽¹⁾	—	1,037,175
Loans from parent/subsidiary of parent	—	1,037,175
Long-term debt:		
Floating Ships Company for Water Projects Limited loan	7,098 ⁽²⁾	7,098 ⁽²⁾
Shuaibah National Company for Water and Power loan	315,361 ⁽²⁾	—
Total long-term debt	322,459	7,098
Capital	1,377,000	1,377,000
Advance against share capital ⁽³⁾	490,000	490,000
Treasury shares	(40,935)	(40,935)
Statutory reserve	143,841	143,841
Merger reserve	15,132	15,132
Retained earnings	1,046,394	1,046,394
Reserves associated with discontinued operations ⁽⁴⁾	(4,800)	(4,800)
Cash flow hedge reserve	(817,059)	(817,059)
Minority interests	89,992	89,992
Total equity	2,299,565	2,299,565
Total capitalization ⁽⁵⁾	2,622,024	3,343,838

Notes:

- ⁽¹⁾ A portion of the proceeds of the Offering that will be injected into the APP Group as subordinated shareholder loans from ACWA Power and a subsidiary of ACWA Power. Such shareholder loans will be in the form of, or converted to, an Islamic law compliant instrument on or around the Issue Date and subordinated, and assigned for the benefit of the Bondholders by way of security pursuant to the Saudi law assignment of shareholder funding agreement. Such subordinated shareholder loans will be subject to the terms of Collateral Coordination Agreement.
- ⁽²⁾ The amount of the loan is net of current portion.
- ⁽³⁾ During 2016, an amount of SAR 490 million was classified as advance against share capital under equity as per shareholders' resolution dated November 30, 2016. The legal formalities for this increase in capital were completed subsequent to the balance sheet date, in February 2017.
- ⁽⁴⁾ As a result of the commencement of the NOMAC Restructuring, the balances and results of operations of the NOMAC Group are classified as a disposal group in the 2016 Special-Purpose Financial Statements and operations of the NOMAC Group are treated as discontinued operations.
- ⁽⁵⁾ The sum of the loans from parent/subsidiary of parent, total long-term debt, net of current portion, and total equity.

The capitalization of the APP Group above is presented in Saudi riyals. Solely for the convenience of potential investors, the information in the table above is also presented in U.S. dollars in the table below, converted at the exchange rate of US\$1 = SAR 3.75. See “Presentation of Financial and Other Information—Financial Information—U.S. Dollar Exchange Rate Convenience Translation.”

	AS OF DECEMBER 31, 2016	
	ACTUAL	AS ADJUSTED
	<i>(in US\$ thousand)</i>	
Bank balances and cash	48,523	48,523
Loans from parent/subsidiary of parent ⁽²⁾	—	276,580
Loans from parent/subsidiary of parent	—	276,580
Long-term debt:		
Floating Ships Company for Water Projects Limited loan	1,893 ⁽²⁾	1,893 ⁽²⁾
Shuaibah National Company for Water and Power loan	84,096 ⁽²⁾	—
Total long-term debt	85,989	1,893
Capital	367,200	367,200
Advance against share capital ⁽³⁾	130,667	130,667
Treasury shares	(10,916)	(10,916)
Statutory reserve	38,358	38,358
Merger reserve	4,035	4,035
Retained earnings	279,038	279,038
Reserves associated with discontinued operations ⁽⁴⁾	(1,280)	(1,280)
Cash flow hedge reserve	(217,882)	(217,882)
Minority interests	23,998	23,998
Total equity	613,217	613,217
Total capitalization ⁽⁵⁾	699,206	891,690

Notes:

- (1) A portion of the proceeds of the Offering that will be injected into the APP Group as subordinated shareholder loans from ACWA Power and a subsidiary of ACWA Power. Such shareholder loans will be in the form of, or converted to, an Islamic law compliant instrument on or around the Issue Date and subordinated, and assigned for the benefit of the Bondholders by way of security pursuant to the Saudi law assignment of shareholder funding agreement. Such subordinated shareholder loans will be subject to the terms of Collateral Coordination Agreement.
- (2) The amount of the loan is net of current portion.
- (3) During 2016, an amount of SAR 490 million (US\$130.7 million equivalent) was classified as advance against share capital under equity as per shareholders' resolution dated November 30, 2016. The legal formalities for this increase in capital were completed subsequent to the balance sheet date, in February 2017.
- (4) As a result of the commencement of the NOMAC Restructuring, the balances and results of operations of the NOMAC Group are classified as a disposal group in the 2016 Special-Purpose Financial Statements and operations of the NOMAC Group are treated as discontinued operations.
- (5) The sum of the loans from parent/subsidiary of parent, total long-term debt, net of current portion, and total equity.

There has been no significant change in the financial or trading position of the Issuer or the APP Group since December 31, 2016, the date of the last audited financial statements of the APP Group.

INDUSTRY

Certain of the projections and other information set forth below have been derived from external sources that include BMI, the ECRA, the World Factbook, the World Bank, SAMA, GASTAT, MEED, SEC and SWCC. Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. We believe that these industry publications, surveys and forecasts used in connection with the preparation of this Offering Memorandum are reliable but we have not independently verified them and cannot guarantee their accuracy or completeness. See “Presentation of Financial and Other Information—Information Regarding the Saudi Arabian Electricity Generation and Desalinated Water Production Markets and Industry.”

The projections and forward-looking statements in this section are not guarantees of future performance and actual events and circumstances could differ materially from current expectations. Numerous factors could cause or contribute to such differences. See “Risk Factors” and “Disclosure Regarding Forward-Looking Statements.”

OVERVIEW OF SAUDI ARABIA

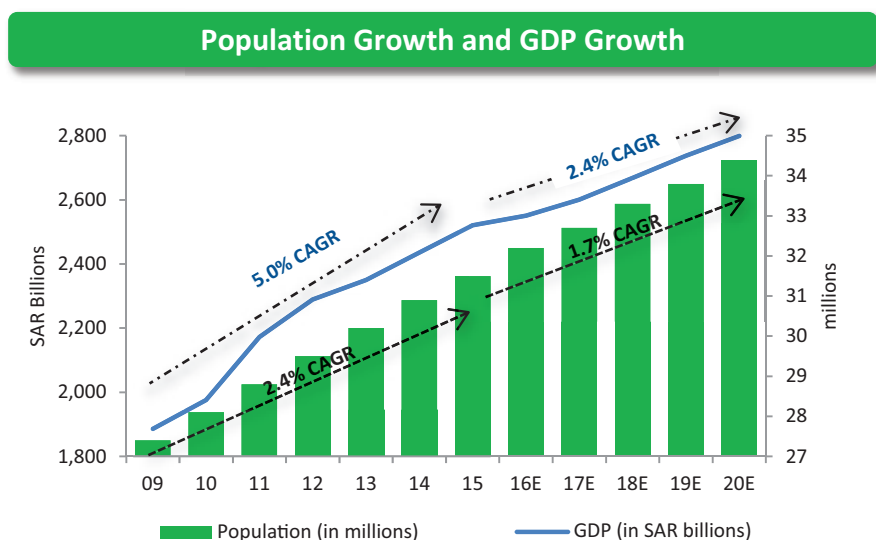
Geography and Area

Saudi Arabia comprises a land area of approximately 2,150,000 square km and is located in the Arabian Peninsula, a peninsula of southwest Asia situated to the northeast of Africa. Saudi Arabia has coastlines on the Red Sea to the west and the Arabian Gulf to the east. It is bordered in the north and northeast by Jordan and Iraq, in the east by Kuwait, Qatar and the United Arab Emirates, in the southeast by Oman, in the south by Yemen, and is connected to the Kingdom of Bahrain by the King Fahd Causeway. Saudi Arabia is the largest country in the Cooperation Council for the Arab States of the Gulf (also known as the Gulf Cooperation Council, or the “GCC”).

Population and Demographics

According to projections based on the results of the 2010 census, GASTAT has estimated the population of Saudi Arabia to be 31.0 million as of July 31, 2015, representing growth of 2.4% as compared to 30.3 million as of July 31, 2014. Saudi nationals comprised 20.8 million, or 67.0% of the total population, and non-Saudi nationals comprised 10.2 million, or 33.0% of the total population as of July 31, 2015. Saudi Arabia has a young population, with over half of Saudi nationals being under the age of 30 and 27.3% under the age of 15.

The following chart sets out data on population growth and GDP growth in the Kingdom of Saudi Arabia in 2009 through 2015, as well as estimated population growth and GDP growth in 2016 through 2020.



Source: Business Monitor International (BMI) Research

Employment

According to data published by GASTAT as of December 31, 2015, the total labor force in Saudi Arabia (comprising all nationalities and excluding members of the military) was 12.2 million, of which 10.1 million, or 83.4%, were male and 2.0 million, or 16.6%, were female. As of December 31, 2015, the total Saudi labor force was 5.6 million, of which 4.4 million, or 78.1%, were male and 1.2 million, or 21.9%, were female. Saudi nationals in the age group from 25 to 39 years constitute 54.9% of the Saudi labor force.

In light of the Saudi Arabian government's objective to better accommodate Saudi nationals in the work force, and in particular to encourage them to join the private sector, the Saudi Arabian government has supported a number of initiatives to achieve these results, and towards this end the Ministry of Labor and Social Development has implemented the Saudi localization scheme, or "*Saudization*." Saudization is intended to promote the employment of Saudi nationals in the private sector, which has traditionally been dominated by expatriate workers from Asia, Europe and other Arab countries. Current Saudization requirements vary significantly depending on the relevant sector and the size of the employer.

Strategy of Saudi Arabia—*Vision 2030*

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

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

ECONOMY OF SAUDI ARABIA

Overview

According to the World Bank, Saudi Arabia had the twentieth largest economy in the world and the largest economy in the GCC region in the year ended December 31, 2015. Saudi Arabia's economy accounted for 46.2% of the combined nominal GDP of the GCC countries and 20.7% of the combined nominal GDP of the countries in the MENA region in the year ended December 31, 2015.

Based on preliminary figures, Saudi Arabia's real GDP (based on constant 2010 prices) was SAR 2,520.8 billion (US\$672.2 billion) in the year ended December 31, 2015, representing growth of 3.5% in real terms as compared to real GDP of SAR 2,435.9 billion (US\$649.6 billion) in the year ended December 31, 2014. Saudi Arabia's nominal GDP was SAR 2,422.5 billion (US\$646.0 billion) in the year ended December 31, 2015, as compared to SAR 2,826.9 billion (US\$753.8 billion) in the year ended December 31, 2014.

The following table sets out selected economic indicators for Saudi Arabia as of, and for each of the years ended, December 31, 2015, 2014, 2013, 2012 and 2011.

	AS OF, AND FOR THE YEAR ENDED, DECEMBER 31,				
	2015	2014	2013	2012	2011
	(SAR billions, unless otherwise indicated)				
Population (millions) ⁽¹⁾	31.02	30.30	29.60	28.89	28.17
GDP at current prices	2,422.5	2,826.9	2,791.3	2,752.3	2,510.7
GDP at constant prices (2010=100)	2,520.8	2,435.9	2,350.4	2,289.3	2,172.3
Inflation rate (%)	2.2	2.7	3.5	2.9	3.7
Total Government revenues ⁽²⁾	615.9	1,044.4	1,156.4	1,247.4	1,117.8
Total Government expenditures ⁽²⁾	978.1	1,109.9	976.0	873.3	826.7
Budget surplus/(deficit) ⁽²⁾	(362.2)	(65.5)	180.3	374.1	291.1
Ratio of budget surplus/(deficit) to nominal GDP (%)	(15.0)	(2.3)	6.5	13.6	11.6
Current account surplus/(deficit)	(200.5)	276.6	507.9	617.9	594.5
Ratio of current account surplus/(deficit) to nominal GDP (%)	(8.3)	9.8	18.2	22.5	23.7
Ratio of debt to nominal GDP (%)	5.9	1.6	2.2	3.0	5.4
Per capita GDP at current prices (US\$)	20,828	24,878	25,145	25,401	23,766
Per capita GDP at constant prices (US\$) (2010=100)	21,673	21,438	21,173	21,127	20,563

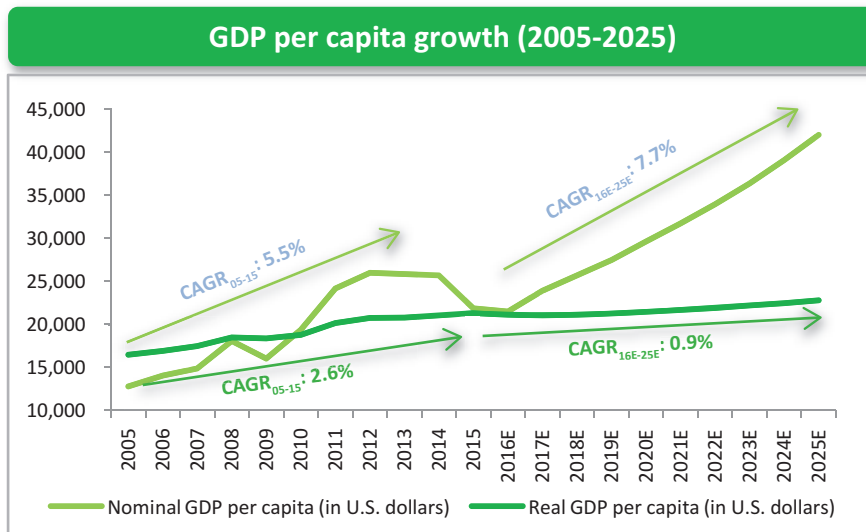
Source: SAMA, GASTAT

Notes:

⁽¹⁾ Population estimates are as of July 31 in each respective year.

⁽²⁾ Government budget data is in respect of the 12-month period ended on December 30 of each respective year.

The following chart sets out data on nominal GDP per capita growth and real GDP per capita growth in the Kingdom of Saudi Arabia in 2005 through 2015, as well as estimated nominal GDP per capita growth and estimated real GDP per capita growth in 2016 through 2025.



Source: Business Monitor International (BMI) Research

Economic Policy

The Saudi Arabian government plays a key role in Saudi Arabia’s economic policy through the Saudi Council of Economic and Development Affairs (“CEDA”), which has overall responsibility for Saudi Arabia’s economic development and has broad oversight of each of the relevant Saudi Arabian government ministries. The CEDA oversees the Ministry of Economy and Planning in the formulation of economic and social development plans that set long-term economic goals, and the Ministry of Finance in the supervision and implementation of Saudi Arabia’s fiscal policies. SAMA, the central bank of Saudi Arabia, oversees and implements Saudi Arabia’s monetary policy.

Development Plans and Privatization

The Saudi Arabian government has implemented a series of five-year Development Plans, the first commencing in 1970, each with the objective of investing and developing Saudi Arabia’s available human and natural economic resources and utilizing them in order to achieve several socioeconomic objectives. These objectives were represented in raising the standard of living of Saudi Arabia’s citizens, completion of its basic infrastructure, diversification of Saudi Arabia’s economic base and sources of national income, development of human capacities and encouragement of the private sector to assume an effective role in development efforts.

With a view to promoting the participation of the private sector in the economy and attracting foreign investment, the Saudi Arabian government initiated a privatization program that, over the years, has successfully privatized certain key assets in diverse sectors and has contributed to the liberalization of the economy. The Saudi Arabian government’s privatization program is an important part of the Saudi Arabian government’s strategy for realizing economic development, enhancing the performance of companies and improving the standard of services. It is also aimed at improving the financial efficiency of these companies, reducing administrative burdens, increasing economic growth and enlarging the ownership base in Saudi Arabia as well as attracting foreign investment.

Foreign Investment

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

The major sectors attracting foreign direct investment (“FDI”) into Saudi Arabia have been the construction and contracting, real estate and petrochemicals sectors. Saudi Arabia’s total inward FDI stock was US\$224.1 billion as of December 31, 2015. In the year ended December 31, 2015, Saudi Arabia’s inward FDI flows were US\$8.1 billion.

The Saudi Arabian Foreign Investment Law requires all foreign investment in Saudi Arabia to be licensed by SAGIA. A foreign investor wishing to invest in Saudi Arabia must obtain a foreign investment license from SAGIA, which will take the form of an industrial license, a service license or a trading license. Minimum investment thresholds for

foreign investors are published by SAGIA from time to time, which are currently as follows: (a) SAR 25 million for agricultural projects; (b) SAR 30 million for real estate projects; (c) SAR 26.6 million for trade projects; and (d) SAR 500,000 for general services.

In June 2016, SAGIA announced new regulations permitting 100% foreign ownership in the wholesale and retail sector for businesses that produce and retail their own products. The new rules, which were approved by the Council of Ministers in June 2016, create an exception to the current 75% cap on foreign ownership across several industry segments in Saudi Arabia, and are intended to encourage new entrants to the Saudi wholesale and retail market, as well as to create additional training and technology transfer opportunities.

In a significant move aimed at attracting foreign investment and further strengthening Saudi Arabia's capital markets, in June 2015, the Capital Market Authority ("CMA") published regulations allowing Qualified Foreign Investors ("QFIs") to directly invest in shares listed on the Tadawul in accordance with the applicable regulations. Furthermore, in August 2016, the CMA approved certain revisions to the existing regulations relating to participation by QFIs, which became effective in September 2016. These revisions are intended to further encourage participation by foreign investors by expanding the definition of a "qualified foreign institution" and relaxing certain ownership thresholds and limits. It is anticipated that the opening of the Tadawul to foreign investors will support increased participation by institutional investors and thereby reduce market volatility as well as encourage Saudi companies listed on the Tadawul to adopt international best practices and benefit from the input of sophisticated foreign institutions.

Vision 2030 envisages several measures aimed at attracting foreign investment and enhancing the confidence of foreign investors in Saudi Arabia's economy, including the streamlining of the visa regime applicable to business visitors, and the National Transformation Program 2020 has assigned to SAGIA specific targets relating to an increase in foreign investment in Saudi Arabia. SAGIA, in coordination with a number of other government institutions and ministries, has also launched the "National Investment Plan," which aims to contribute to the diversification of the economy and increase productivity by attracting foreign investment in specified sectors with well-established investment opportunities. To date, SAGIA has identified over 90 projects under the National Investment Plan, in the healthcare, transportation and industrial equipment sectors.

Gross Domestic Product

Saudi Arabia's GDP grew by 3.5%, 3.6%, 2.7%, 5.4% and 10.0% in real terms (at constant 2010 prices) in the years ended December 31, 2015, 2014, 2013, 2012 and 2011, respectively, to reach SAR 2,520.8 billion (US\$672.2 billion) in the year ended December 31, 2015, based on preliminary figures. This growth was partly attributable to ongoing government expenditure on large development projects, such as the expansion of the Grand Mosque in Makkah, the Riyadh Metro system and the Haramain High-Speed Rail network, as well as continuous structural and regulatory reforms aimed at achieving sustainable economic growth through diversifying the production base and increasing the contribution of the non-oil sector. Saudi Arabia's total nominal GDP was SAR 2,422.5 billion (US\$646.0 billion) in the year ended December 31, 2015, a decrease of 14.3% as compared to SAR 2,826.9 billion (US\$753.8 billion) in the year ended December 31, 2014. This decline was principally due to a decline in the nominal GDP of the oil sector by 44.5%, resulting from price deflation in the oil sector during this period.

According to preliminary data for the three months ended March 31, 2016, Saudi Arabia's real GDP (at constant 2010 prices) was SAR 641.5 billion (US\$171.2 billion), an increase of 1.5% in real terms compared to SAR 631.7 billion (US\$168.5 billion) for the three months ended March 31, 2015. This increase was principally attributable to growth in the oil sector by 5.1% in real terms in the three months ended March 31, 2016 as compared to the corresponding period in the previous year. The increase in the oil sector was principally attributable to increased oil refining activities, which grew by 24.5% in real terms in the three months ended March 31, 2016 as compared to the corresponding period in the previous year.

Electricity, Gas and Water

According to GASTAT, electricity, gas and water activities accounted for SAR 32.9 billion (US\$8.8 billion), or 1.3%, of Saudi Arabia's nominal GDP in the year ended December 31, 2015. Electricity, gas and water activities demonstrated growth of 5.3%, 4.8%, 1.6%, 5.9% and 5.5% in real terms in the years ended December 31, 2015, 2014, 2013, 2012 and 2011, respectively.

Electricity

The electricity sector in Saudi Arabia is regulated by the Ministry of Energy, Industry and Mineral Resources and the Electricity and Cogeneration Regulatory Authority.

The Saudi electricity market is the largest in the Arab world, with a total power generation capacity of 69.2 GW and a peak load of 62.3 GW in the year ended December 31, 2015, compared to a total power generation capacity of 65.5 GW and a peak load of 56.5 GW in the year ended December 31, 2014. The total power sold in Saudi Arabia was 286.0 TWh in the year ended December 31, 2015, compared to 271.6 TWh in the year ended December 31, 2014. The following table sets forth details of the electric power generation capacity and number of subscribers in Saudi Arabia as of, and for each of the years ended, December 31, 2015, 2014, 2013, 2012 and 2011, respectively.

	FOR THE YEAR ENDED, DECEMBER 31,				
	2015	2014	2013	2012	2011
Power generation capacity (MW)	69,155	65,506	58,462	53,588	51,147
Peak load (MW)	62,260	56,547	53,864	51,939	48,367
Total power sold (GWh)	286,037	271,585	256,688	240,288	219,662

Source: SEC

SEC is the leading producer of electricity in Saudi Arabia and at present has a monopoly on the transmission and distribution of electric power in Saudi Arabia. The total length of the transmission gridlines was 68,190 km as of December 31, 2015 and the distribution network consisted of 265,382 km of overhead lines and 272,540 km of underground lines as of December 31, 2015.

The Saudi Arabian government directly owns 74.3% of SEC's shares and indirectly owns 6.9% of SEC's shares through Saudi Aramco, with the remaining 18.8% being listed on the Tadawul.

SEC owned, or was the sole offtaker under long-term power purchase agreements in respect of, all of the traded generation capacity in Saudi Arabia as of December 31, 2015, other than certain capacity utilized principally for its own use by Saudi Aramco, the Power and Water Utility Company for Jubail and Yanbu ("**MARAFIQ**"), Ma'aden, the Water & Electricity L.L.C. ("**WEC**") and Saudi Petrochemical Company ("**Sadaf**"), which supply any excess power generated into the SEC grid. SEC has a significant economic and policy role within Saudi Arabia's economy in terms of meeting the continuing increases in demand for electricity resulting from population growth and Government-sponsored industrialization.

As a policy objective, the Saudi Arabian government has been promoting greater competition in the power and water industries by facilitating the establishment of IPPs and IWPPs. For more details, see "*—Reforms in the Power and Water Sector*" below. The Saudi Arabian government has recently announced reforms to the subsidy regime that will result in a decrease in subsidies on, among other things, the provision of electricity, and these reforms are scheduled to be implemented over a period of five years.

Water

Given that Saudi Arabia does not have an abundant natural water supply, the Saudi Arabian government has made substantial investments in seawater desalination, water distribution, sewerage and wastewater treatment. The water sector in Saudi Arabia is regulated by MEWA. Saudi Arabia is the world's largest producer of desalinated water, and in 2015 Saudi Arabia produced 6.6 million cubic metre of desalinated water per day.

In 1974, the Saudi Arabian government established the Saline Water Conversion Corporation (the "**SWCC**"), which is responsible for operating Saudi Arabia's publicly owned desalination plants. The SWCC currently operates 28 plants distributed over 17 sites located on the eastern and western coasts of Saudi Arabia. According to the ECRA, in the year ended December 31, 2015, the total production of the SWCC's plants was approximately 1,291.0 million cubic meters, compared to approximately 1,140 million cubic metres in the year ended December 31, 2014. The desalinated water produced by the SWCC represented 69% of the total production of desalinated water in Saudi Arabia in 2015 (the rest being produced by the private sector). In addition to water desalination, the SWCC also produces electricity through its dual-purpose plants, which produce water and electricity at the same time. These plants use a multi-stage flash distillation system, where part of the electricity produced is used to operate the plant's facilities. The rest of the power generated is transmitted to SEC's grid network. The total volume of electricity produced by the SWCC represented 12% of Saudi Arabia's total electricity production in 2015.

According to data published by the Ministry of Water and Electricity (one of the predecessors to the Ministry of Energy, Industry and Mineral Resources and the MEWA), the household consumption rate of water in Saudi Arabia in the year ended December 31, 2015 was 8.3 million cubic meters per day, compared to 7.9 million cubic meters per day in the year ended December 31, 2014, an increase of 5.1%. The average consumption of water *per capita* in Saudi Arabia increased to 263 liters per day in the year ended December 31, 2015, compared to 253 liters per day in the year ended December 31, 2014.

Saudi Aramco also operates one of the world's largest seawater treatment plants, the Qurayyah Seawater Treatment Plant, which has a design capacity of 14 million bpd. Saudi Aramco is also a joint venture partner in MARAFIQ, a major utility company.

Reforms in the Power and Water Sector

As part of its privatization program and with a view to increasing the involvement of the private sector in the power and water industry, the Saudi Arabian government has been promoting greater competition in the electricity industry by facilitating the establishment of IPPs and IWPPs.

The Saudi Arabian government's privatization initiative with respect to the electricity industry has been implemented through SEC and WEC, a company established by the Saudi Arabian government in 2003 with the objective of facilitating the formation of IWPPs by acting as an offtaker to the IWPPs. The WEC is owned equally by SEC and SWCC.

As part of the Saudi Arabian government's initiative, SEC currently contributes, and expects to continue to contribute, a portion of the initial equity investment to each IPP and IWPP in the range of five to 50%, with the balance funded by domestic and international investors. SEC enters into long-term power purchase agreements as sole offtaker of the electricity that is produced, either directly in the case of IPPs, or through WEC or MARAFIQ Water and Supply Company ("**Tawreed**") in the case of IWPPs.

In implementation of the Saudi Arabian government's privatization program as it relates to the electricity industry, SEC has developed an IPP program which is intended to encourage private sector investment in its power generation business and to complement the Saudi Arabian government's plans to increase total generation capacity in Saudi Arabia. SEC's initial IPP program envisaged the construction of four new power projects, comprising the Rabigh IPP in the Makkah Region and the Riyadh IPP (each of which commenced commercial production in 2013), the Qurayyah IPP in the Eastern Region (which commenced commercial production in 2014) and the Rabigh 2 IPP in the Makkah Region (which is currently under construction and is expected to commence commercial production in 2017).

SEC and MARAFIQ, in participation with other entities, have also established the Jubail Water and Power Company IWPP ("**JWAP**"), which commenced commercial operations in 2010. The offtaker of the JWAC project is Tawreed, which sells the electricity generated by the JWAC project to SEC.

The Saudi Arabian government has also extended its privatization programme to the water sector, and in 2008 the National Water Company ("**NWC**"), a Saudi Arabian government-owned company, was established to provide water and wastewater treatment services in partnership with international operators on a public-private partnership model. In the first phase of its strategic plan to privatize the services provided by it, NWC granted management contracts for the cities of Riyadh, Jeddah, Makkah and Ta'if to leading private sector companies, and the NWC intends to further the Government's privatization initiative by granting long-term leases and concessions for additional cities to suitable partners in the private sector. The Saudi Arabian government has also declared the development of alternative sources of energy, such as solar energy, a priority.

POWER AND WATER DESALINATION DEMAND AND SUPPLY OUTLOOK

Power

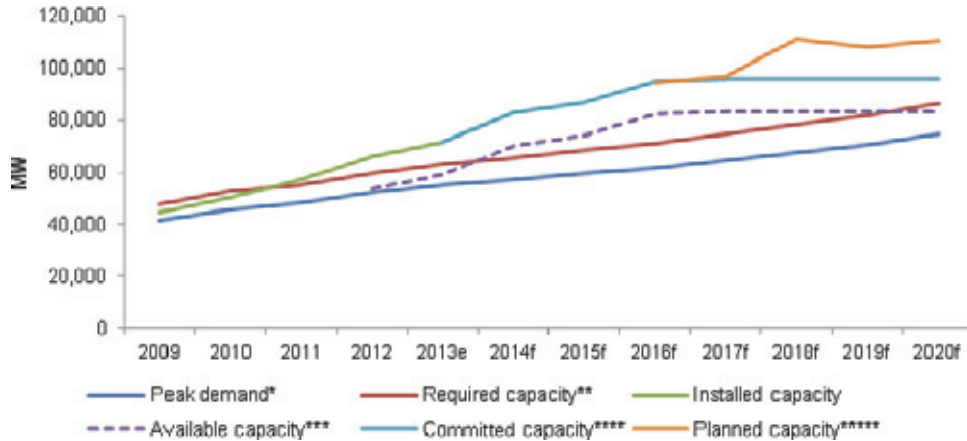
Saudi Arabia has the largest power sector in the Middle East and North Africa ("**MENA**") region as a result of its large population, strong economy and access to cheap and plentiful oil and gas reserves. At the end of 2015, the latest date for which official data is available, the total installed generating capacity by all companies licensed to produce electricity in Saudi Arabia was 81,603MW. However, available capacity was 69,155 MW. The difference between installed and available capacity is due to actual available capacity being generally lower than installed capacity as a result of reduced turbine efficiencies during high summer temperatures and the fact that a proportion of licensed capacity is reserved for captive use and not available for the grid. Against this available capacity of 69,155 MW, peak demand was 62,260 MW—representing a reserve margin of 11%. This reserve margin is below the 15% reserve margin considered ideal for an electricity network. The reserve margin in 2015 was in the mid-range of reserve margins experienced over the prior five years, which have ranged from 6 – 15%.

According to ECRA estimates, over the last decade, electricity demand has increased by approximately 7-8% annually. This trend is expected to remain at 6% annually until 2020, resulting in a demand increase for power generation of 120 GWh per year by 2032. This increase is partly a result of the increase in the number of consumers from 4.74 million in 2005 to 7.62 million in 2014, an increase of approximately 61%. This higher consumer demand and the growing industry demand has led to increased energy sales from 158,927 GWh in 2005 to 281,155 GWh in 2014, an increase of approximately 77%.

The need to decommission and replace aging existing capacity will make the requirement for actual new capacity even higher. According to the ECRA, in 2012, 17,400MW, or 29% of the total installed capacity was more than 29 years old. Plants of this age are generally less efficient and have higher operation and maintenance costs. SEC, which operates the majority of these older facilities, may opt to replace them with new capacity, resulting in the amount of new capacity needed to be installed by 2020 to be even higher.

The aforementioned numbers exclude new captive, non-grid connected, power capacity requirements arising from new petrochemical, refinery or other downstream industrial projects. Based on the current pipeline of projects, more than 3,000MW of such capacity is planned, most of which will be developed on a private basis.

Figure-1: Saudi Arabia power demand-capacity gap analysis, 2009-20



* Peak demand from 2013-20 is calculated based on ECRA forecast

** Required annual capacity from 2013 to 2020 is calculated based on a 15% reserve margin

*** Available capacity equates to the installed or committed capacity minus the 12,493MW of unavailable installed capacity at the end of 2012, assuming the same amount of capacity would be unavailable in subsequent years

**** Committed capacity takes into account grid-connected contracted projects already under construction

***** Planned capacity takes into account the grid-connected capacity from announced but un-contracted projects including the KA-Care introductory rounds 1 and 2

Sources: MEED Insight; ECRA; SEC. 1 MIGD=4,546 m³/day

Governmental authorities in Saudi Arabia have reacted strongly to future demand requirements. As of June 2014, about 24,000MW of new grid-dedicated power capacity is under construction and due for commissioning between 2014 and 2017. Once completed, the new supply will bring the total installed capacity in Saudi Arabia to about 95,800MW by 2017. Based on the current pipeline of Saudi Arabia’s announced projects, an additional 42,000MW of planned and un-awarded projects in Saudi Arabia are scheduled for completion between 2016 and 2025.

Desalination

Saudi Arabia is the world’s largest desalination market. According to the 2014 ECRA report, Saudi Arabia’s desalination market had a total production capacity of 1,643MIGD (6.22 million m³/day) of desalinated water from 26 plants, including captive facilities, and total output of 1,008MIGD (4.59 million m³/day). Saudi Arabia is expected to spend SAR 43.5 billion (US\$11.6bn) in the period 2013-20 on desalination units. In 2014, the largest producer of desalinated water in Saudi Arabia is the government-owned entity SWCC, which produced 58% of all desalinated water, equivalent to 945.7MIGD (3.58 million m³/day), an increase of 8.0% compared to the previous year. The remaining production capacity derives primarily from the Shuaibah, Shuqaiq and Jubail IWPPs and MARAFIQ’s desalination complex at Yanbu.

The main driver of growth in demand for desalinated water in Saudi Arabia is population growth, as other sources of water demand in Saudi Arabia, such as industry and agriculture, mainly use either groundwater or treated wastewater.

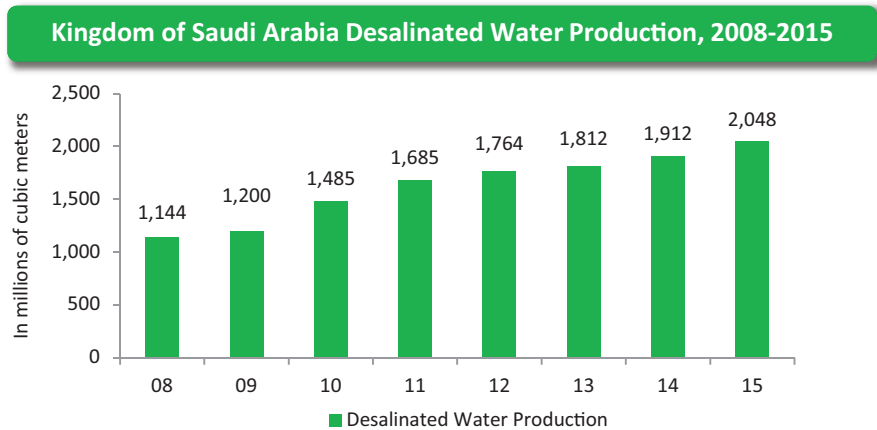
As in the power sector, a large number of existing desalination units are reaching the end of their operational lives. According to the 2012 ECRA booklet, a total of 396MIGD (1.8 million m³/day) of desalination capacity is from plants that are more than 26 years old and are intended to be decommissioned in the near future. In the event of decommissioning, the capacity will have to be replaced with new desalination production units. New units will also need to be built to ensure a suitable reserve margin.

Furthermore, new plants are needed to provide the additional capacity required to serve the growing urban population. In total, SWCC is planning to install about 911MIGD (4.14 million m³/day) of new capacity by 2020, some of which will potentially replace decommissioned capacity.

Based on planned projects, the desalination capacity is set to almost double from 1,291MIGD (5.87 million m³/day) in 2012 to 2,002MIGD (10 million m³/day) by 2020. A total of 349MIGD (1.58 million m³/day) of this additional capacity is expected to come from the projects at Ras al-Khair and Yanbu currently under construction.

Desalinated water demand is also set to increase as a result of changing government policies regarding water reuse of aquifer and groundwater resources. Based on an annual population growth rate of 1.5%, SWCC forecasts that desalinated water will account for 63% of total potable water demand by 2025 compared with 53% in 2010, as other sources of water, such as aquifers and groundwater, are conserved or depleted.

The following table sets out data on desalinated water production in the Kingdom of Saudi Arabia in 2008 through 2015.



Source: ECRA. 2015 Annual Statistical Booklet for Electricity and Seawater Desalination Industries

Market structure and key players

Power and water policy and strategy in Saudi Arabia is formulated by the Ministry of Environment, Water & Agriculture. SEC, a Saudi Arabian joint stock company incorporated in 2000 and the largest power utility company in the region, is the primary producer of electricity, accounting for 70% of the installed capacity as per the 2015 ECRA annual booklet.

In addition to being the largest desalinated seawater producer, SWCC is the second-largest power generator in Saudi Arabia. Other major power producers include: private power and water production companies such as SWEC, SQWEC, and JWAP, Saudi Aramco, which supplies more than 1,000MW to the grid, and Marafiq, a joint stock company responsible for supplying power and water to the Jubail and Yanbu industrial cities.

One of ECRA’s main responsibilities is to oversee and license power and water producers. It is also responsible for reviewing adopted tariffs and designing and preparing tariff structures.

Private developers play an increasingly important role in power and water generation since privatization initiatives were introduced into Saudi Arabia in 2003 following the formation of the Water & Electricity L.L.C. (“WEC”) to procure the first three integrated water and power plant projects (“IWPPs”) in Saudi Arabia. After WEC successfully implemented its project program, Saudi Arabia handed responsibility for future IWPP development to SEC.

Table-1: Saudi Arabia electricity generation capacity by licensee, 2014 (Source ECRA)

PRODUCING ENTITY	NO. OF PLANTS	%
Saudi Electricity Co. (SEC)	47	70
Saline Water Conversion Corporation (SWCC)	7 *	8
Hajar Electricity Co.	1	5
Jubail Water and Electricity Co.	1	4
Saudi Aramco	7	2
Dharma Electricity Co.	1	2
Marafiq	1	1
Rabigh Electricity Co.	1	1
Shuaibah Water and Electricity Co.	1	2
Tihamah Power Generation Co.	1	2
Shuqaiq Water and Electricity Co.	4	2
Rabigh Water and Electricity Co.	1	1
Jubail Power Co.	2	1
Saudi Cement Co.	1	1
Tuwairqi Energy Company.	1	1
Aman Modern Energy Co.	3	1
Al-Obaikan Paper Industries Co.	1	1
Total	81	100

* Cogeneration plants only.

Energy mix and renewable energy strategy

Saudi Arabia’s power sector has long been dependent on the abundant local supply of oil and gas to generate electricity. In 2015, according to the 2015 ECRA annual booklet, total consumption of power plants and desalination plants using gas as the primary feedstock made up 43% of total capacity, with crude oil, heavy fuel oil and diesel accounting for 32%, 12% and 13%, respectively.

The challenge presented by depleting fossil fuel feedstock is driving Saudi Arabia towards greater adoption of renewable and nuclear energy. By 2032, the plan is for 51% of power to be sourced from either renewable or nuclear energy as the authorities seek to reduce the reliance on Saudi Arabia’s fossil fuel natural resource base.

Privatization and regulatory framework

Saudi Arabia’s power generation sector was historically dominated by the government through more than 20 public utility companies covering different geographic areas. In 1999, Royal Decree M/16 reorganized and restructured the sector by merging these utilities into one entity, SEC, a joint stock company, as a means of promoting private sector participation. Consequently, in 2001 ECRA was formed to regulate the supply of electricity, issue licenses to electricity projects, ensure compliance and mediate the relationships between investors, producers, transmission companies, distributors and consumers.

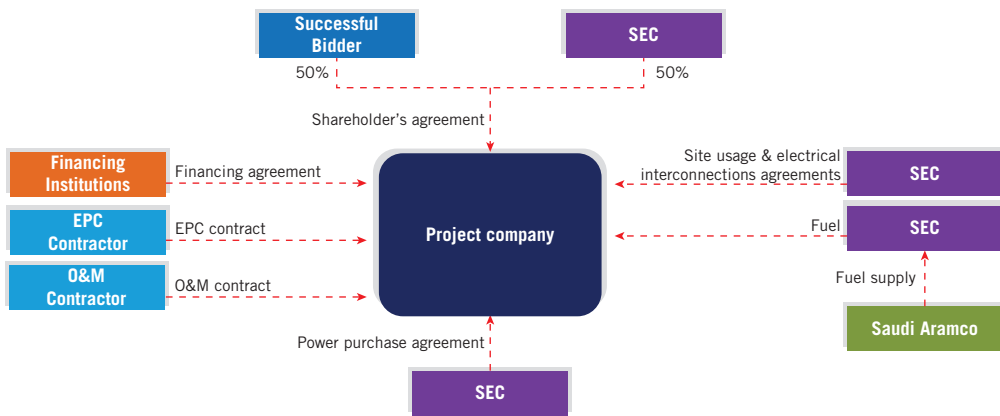
In 2003, Saudi Arabia launched its first two private projects: the 250MW Sadaf IPP and the 1,074MW Tihama ISPP. Both projects were captive cogeneration schemes dedicating their output to a specific facility. The Electricity Law of 2005 further opened up the grid-connected power and water sectors to private sector participation. Under the law, WEC, a joint venture of SWCC and SEC, was given the responsibility of tendering Saudi Arabia’s first three grid-connected IWPPs and to act as the counterparty on the Power and Water Purchase Agreements (“**PWPA**”).

A key aspect of the privatization process was transparency, as WEC adopted a public procurement process, which included the listing of prequalification requirements, making announcements on which companies had been prequalified and conducting a public bid process.

WEC ultimately procured three projects successfully, each implemented on a 20-year BOO basis. The first was the 900MW, 194MIGD (880,000 m³/day) Shuaibah IWPP which began commercial operations in 2009. The second was the 850MW, 47MIGD (212,000 m³/day) Shuqaiq IWPP, and the third was the 33MIGD (150,000 m³/day) expansion of the Shuaibah IWPP. ACWA Power was part of the winning developer group on all three projects.

Following the successful implementation of the first three IWPPs, responsibility for private power projects was handed to SEC. Under its privatization program, SEC is the single offtaker of power capacity and output from the IPPs and the sole supplier of the projects’ fuel requirements wherein the fuel itself is supplied to SEC by Saudi Aramco.

Figure-2: Project contractual relationships with SEC for IPP/WPPs



Source: SEC

Saudi Arabia’s IWPP program

The objective of the public private partnership program in the Kingdom of Saudi Arabia was to attract foreign development, management and operations expertise in the critical power and water infrastructure sector. It was expected that private institutions would be able to bring in industry leading development, construction and operations and maintenance capabilities and thus deliver higher standards of availability and performance than had otherwise been available from government operated assets. However, there were a number of hurdles that had to be overcome in achieving private sector participation. These were primarily related to prior foreign investment in the Kingdom of Saudi Arabia and the overall amount of capital required to develop these assets (for example, the total construction cost of all eight Projects, in which the APP Group has ownership stakes, is US\$15.3 billion).

As it related to the private sector participation, foreign investment in the Kingdom of Saudi Arabia was limited and, therefore, a transparent power and/or water purchase agreement structure was required to incentivize foreign investors. The Saudi Arabian government established such transparent power and/or water purchase agreement structure based on availability payments, with the project companies receiving fixed payments based on plant measured availability. As long as the plant is available to dispatch power and/or water, the project company receives its availability payment. The availability payment covers fixed operating and maintenance costs of the project company, principal and interest on its debt incurred to finance the project and taxes. It also provides the project company equity investors a return on their invested capital. In the event the project company is available to dispatch power and/or water, but does not dispatch it, the equity providers still receive their return on invested equity. In the event project companies are available to dispatch power and/or water and actually generate power and/or produce desalinated water, these project companies are fully reimbursed for incremental costs by the offtaker (fuel and variable operating and maintenance costs). This power and/or water purchase agreement structure generated strong private sector interest both from Saudi Arabian and foreign companies.

To reduce the overall amount of capital needed and to open the power and/or water purchase agreement tender process to as many developers as possible, the government established a specific level of ownership by entities directly or indirectly owned by the state for each asset. For most assets, such level of state ownership was set at 20 to 50%. This approach reduced the required capital commitment from the private sector and, in the process, ensured that the state-owned entities were able to closely monitor the performance of these assets (highlighting the strategically important nature of the assets). The shareholding arrangements for these projects are structured to ensure that the state-owned shareholders would not actively manage the assets, leaving the construction, operations and maintenance of these projects to the private developers. This principle of minimum state ownership is one of the principal reasons why ACWA Power owns minority interests in most of the Projects.

In the bidding process, potential sponsors are able to bid a tariff at which these projects would supply the public sector offtakers with electricity and/or water, and usually the lowest bidder would be invited to construct, operate and maintain the project and to own the remaining non-state-owned equity. From the Kingdom of Saudi Arabia’s perspective, private developers provide valuable (critical) development and operating experience to the power and water desalination sector in the Kingdom of Saudi Arabia. Most IPPs, IWPs and IWPPs, even after accounting for partial state ownership, require large equity investments. Typically, private developers bidding for such projects

participate in these bidding processes through consortia given the scale of investments needed. Similarly, ACWA Power has decided that, in order to increase the number of projects it can participate in and in order to build scale for the NOMAC's operation and maintenance business, it needs joint venture partners for each IPP, IWP or IWPP with respect to which it participates in the bidding process. ACWA Power, as a leading infrastructure investor in the Kingdom of Saudi Arabia, typically has good options available to it when selecting its non-state joint venture partners to bid for each project – these partners are usually a combination of equipment providers and passive investors.

Upcoming projects

As of June 2014, a total of more than 20,000MW of new capacity utilizing fossil fuel is under construction in Saudi Arabia, and at least a further 31,000MW of capacity is in the pipeline. Projects under construction include approximately 6,100MW under the SEC's EPC program, 3,100MW from SWCC/Marafiq, and the rest accounted for by captive EPC/IPP projects by Saudi Aramco, Petro-Rabigh and Tihama.

Outside the SEC IPP program, other upcoming projects designed to utilize the BOO/BOOT model include the captive Petro-Rabigh IWSPP expansion and Saudi Aramco's proposed 1,500MW Fadhili IPP.

Desalination

Saudi Arabia has the biggest water investment program of any GCC state. Saudi Arabia is forecasted to spend SAR 43.5 billion (US\$11.6bn) in the period 2013-20 on desalination units. As of May 2014, some 911MIGD (4.14 million m³/day) of capacity was being planned by SWCC. Two power and water projects currently under construction by SWCC in joint ventures with Marafiq and Maaden at Yanbu and Ras al-Khair were originally intended to be IWPPs. However, the Government ultimately decided to develop them on an EPC basis.

Competitive Landscape

ACWA Power is the largest private power developer in Saudi Arabia and has developed six out of the nine greenfield private projects with a power component, or seven when the Shuaibah IWPP expansion is included. ACWA Power also maintains a majority stake in Bowarege. The operational gross generation capacity of these power generation projects is about 6,058MW with the Company maintaining a net equity capacity—the capacity equivalent to its equity share in each of the facilities' project companies—of just under 1,774MW. GDF Suez, following its acquisition of the UK's International Power, is ranked second with a net equity capacity of 1,532MW. In addition, ACWA Power's water Projects accounted for 34% of the total desalinated water production in the Kingdom of Saudi Arabia in 2015.

Individually, Asian developers such as Samsung C&T, KEPCO, Marubeni Corporation and Sojitz still have a fairly small net equity capacity portfolio in Saudi Arabia. Mitsubishi also exited Saudi Arabia's market through the sale of its 6% equity in the Shuqaiq IWPP to the Company.

ACWA Power is also Saudi Arabia's largest private sector developer in the desalination sector. This figure is almost three times larger than the second-ranked desalination developer, Kuwait-based Gulf Investment Corporation.

DESCRIPTION OF THE PROJECTS AND NOMAC'S OPERATIONS

This section contains certain projections and forward-looking statements. Such projections and other forward-looking statements, including certain information derived from the Financial Model, are not guarantees of future performance and actual results of the APP Group, NOMAC and the Project Companies could differ materially from the projections and forward-looking statements in this section, including information derived from the Financial Model. Numerous factors could cause or contribute to such differences. See "Disclosure Regarding Forward-Looking Statements," "Presentation of Financial and Other Information—Presentation of Summary of the Financial Model" and "Risk Factors—Risks Related to the APP Group, Projects and NOMAC—The Project Companies", NOMAC's and the APP Group's financial results will differ from, and could be worse than, the results forecasted to be achieved by these entities in the Financial Model."

Overview

ACWA Power Group

ACWA Power is a leading private developer of, investor in and operator of a portfolio of power generation and water desalination plants – both within the Kingdom of Saudi Arabia and regionally in the Middle East, Turkey, South Africa and South-East Asia. The ACWA Power Group was created in response to new opportunities that emerged in the Saudi Arabian electricity and desalinated water markets following the historic decision of the Saudi Arabian government, taken in 2002, to progressively open up the electricity generation and desalinated water production markets to private sector companies. Recognizing the significance of this unique opportunity, Abunayyan Trading Company and Abdulkadir Al Muhaidib and Sons Company (which together established ACWA Holding in 2002) and MADA Group created APP in 2004. APP then successfully bid for the Shuaibah IWPP and RAWEC IWSPP in 2005 and for the Shuqaiq IWPP and Marafiq IWPP in 2006. In 2008, ACWA Holding and MADA Group established ACWA Power to acquire APP and, in terms of strategy, to expand the ACWA Power Group's operations to markets outside of the Kingdom of Saudi Arabia. Since 2008, ACWA Power has been the holding company for the ACWA Power Group. In 2013, Sanabil Direct Investment Company, a wholly owned subsidiary of the PIF (a sovereign wealth fund of the Kingdom of Saudi Arabia), and the Public Pension Agency of the Kingdom of Saudi Arabia became shareholders of ACWA Power. In 2014, the IFC, a member of the World Bank Group, became a shareholder of ACWA Power with a 5% ownership interest.

The principal business of the ACWA Power Group is to participate in power generation and/or water desalination projects. In these projects, the relevant project company typically enters into a long-term offtake contract with creditworthy (usually government-related) purchasers to sell the project's electricity generation capacity and/or desalinated water production capacity at a pre-agreed tariff as well as to sell electricity generated and/or desalinated water produced at the relevant project. The offtakers include investment-grade sovereign and quasi-sovereign entities, as well as resource/commodity-based industrial companies that require significant quantities of utility services and are usually capable of supplying their own fuel resources to the projects (for example, captive power plants for oil and gas companies). The ACWA Power Group co-invests in all of its projects with a view to maintaining sufficient technical and operational control over the performance of these projects. Typically, the ACWA Power Group does not operate third-party assets or own assets operated by third parties.

The ACWA Power Group's market strategy seeks to sustainably grow its power and desalinated water contracted capacities by focusing on sovereign and industrial offtake markets in the Kingdom of Saudi Arabia and certain other growing economies through the expansion of its existing facilities, the development of greenfield projects and the acquisition of ownership interests in companies operating existing plants.

As of January 1, 2017, ACWA Power had a portfolio of 35 power and/or desalinated water projects (counting the RAWEC Phase I Facilities and RAWEC Phase II Facilities as one project) that are either in operation, under construction or in advanced development in 12 countries, with a mix of renewable and conventional fuel projects. The ACWA Power Group's worldwide portfolio of plants in operation or development represented over 23 GW of electricity generation capacity and 2.5 million cubic meters per day of desalinated water production capacity as of January 2017. The ACWA Power Group operates many of its projects through NOMAC, an indirect wholly owned subsidiary of ACWA Power established in 2005, with several other projects operated through NOMAC's subsidiaries or joint ventures. NOMAC will be reorganized into a joint stock company and its international operations will be separated from its operations in the Kingdom of Saudi Arabia. See "*NOMAC Restructuring*."

Saudi Arabian Operations of the ACWA Power Group

This section summarizes the operations of the ACWA Power Group in the Kingdom of Saudi Arabia which it carries out through the eight Project Companies and NOMAC. Cash flows consisting of dividends and certain fees payable within the ACWA Power Group in respect of the Projects will be used by us to make payments on the Bonds.

As of the date of this Offering Memorandum, the ACWA Power Group has invested in eight Projects in the Kingdom of Saudi Arabia that have an aggregate contracted capacity of 10.1 GW of power (2.5 GW on a net effective ownership basis) and 2.3 million cubic meters per day of desalinated water (657,000 cubic meters per day on a net effective ownership basis).

The following table sets out certain selected information about these eight Projects.

PROJECT	ACTUAL COSTS	ESTIMATED COSTS	ACWA POWER'S LEGAL OWNERSHIP SHARE	CONTRACTED POWER	CONTRACTED WATER	CONTRACT TYPE	STATUS	PROJECT'S COMMERCIAL OPERATION DATE (ACTUAL OR EXPECTED)
	(in US\$ millions)	(in US\$ millions)	(in %)	(in MW)	(in thousands of cubic meters per day)			
Shuaibah Expansion IWP ⁽¹⁾	233	n/a	30.75 ⁽²⁾	n/a	150	WPA / BOO ⁽³⁾ / 20 years	Operational	Q4 2009
Shuaibah IWPP ⁽⁴⁾	2,450	n/a	30	900	880	PWPA / BOO ⁽³⁾ / 20 years	Operational	Q1 2010
Marafiq IWPP ⁽⁵⁾	3,359	n/a	20	2,744	800	PWPA / BOOT ⁽⁶⁾ / 20 years	Operational	Q4 2010
Shuqaiq IWPP ⁽⁷⁾	1,831	n/a	40 ⁽⁸⁾	850	212	PWPA / BOO ⁽³⁾ / 20 years	Operational	Q2 2011
Rabigh IPP ⁽⁹⁾	2,506	n/a	40 ⁽¹⁰⁾	1,204	n/a	PPA / BOO ⁽³⁾ / 20 years	Operational	Q2 2013
Qurayyah IPP ⁽¹¹⁾	2,717	n/a	17.5	3,927	n/a	PPA / BOO ⁽³⁾ / 20 years	Operational	2017 ⁽¹²⁾
Bowarege IWP ⁽¹³⁾	99	n/a	64.85	n/a	50	WPA / BOO ⁽³⁾ / 3 years	Operational	Q2 2008
RAWEC IWSPP ⁽¹⁴⁾	1,141 ⁽¹⁵⁾	1,004 ⁽¹⁶⁾	37	520 ⁽¹⁷⁾	189 ⁽¹⁸⁾	RAWEC WECA ⁽¹⁹⁾ / BOO ⁽³⁾ / 25 years	Operational / Under construction	Q2 2008 / Q4 2017 or Q2 2018 ⁽²⁰⁾

Notes:

- (1) SEPCO, the Project Company for the Shuaibah Expansion IWP, is a joint venture of APP in which APP has an indirect ownership interest.
- (2) ACWA Power's legal ownership is currently 30.75%. KAHROMAA, Projects Acquisition Company, SEC and SAMAWEC have assigned the beneficial ownership rights to their shares in SEPCO (0.5%, 0.5%, 0.5% and 1% of the total shares of SEPCO, respectively) to SEHCO, thereby reducing ACWA Power's effective ownership in SEPCO (and its effective share in rights to dividends from SEPCO) to 30%.
- (3) Build, operate and own. In this type of contract, the relevant power and/or desalinated water plant does not have to be transferred to the offtaker when the relevant PPA, WPA or PWPA expires. The Project Company will continue to own the plant.
- (4) SWEC, the Project Company for the Shuaibah IWPP, is a joint venture of APP in which APP has an indirect ownership interest.
- (5) JWAP, the Project Company for the Marafiq IWPP, is a joint venture of APP in which APP has an indirect ownership interest.
- (6) Build, own, operate and transfer. The Marafiq IWPP will have to be transferred to the offtaker when the PWPA expires.
- (7) SQWEC, the Project Company for the Shuqaiq IWPP, is a joint venture of APP in which APP has an indirect ownership interest.
- (8) ACWA Power intends to sell an 8% effective ownership stake in SQWEC. It has entered into an agreement with Apicorp, under which Apicorp agreed to acquire 13.3% of the shares of Shuqaiq International Water and Electricity Company. The 13.3% stake in Shuqaiq International Water and Electricity Company gives Apicorp an 8% effective ownership stake in SQWEC. The closing of this transaction is subject to customary approvals and is expected to occur in the second quarter of 2017. The Financial Model summarized in the section "Summary of the Financial Model" assumes a 32% ownership stake of APP in SQWEC.
- (9) RABEC, the Project Company for the Rabigh IPP, is a joint venture of APP in which APP has an indirect ownership interest.
- (10) ACWA Power intends to sell up to a 3% effective ownership stake in RABEC in the near future. As of the date of this Offering Memorandum, no definitive agreement for this sale exists. The Financial Model summarized in the section "Summary of the Financial Model" assumes a 37% ownership stake of APP in RABEC.
- (11) HEPCO, the Project Company for the Qurayyah IPP, is a joint venture of APP in which APP has an indirect ownership interest.
- (12) In the case of the Qurayyah IPP, date when the dispute with SEC over Project's commercial operation date is expected to be resolved. HEPCO's scheduled Project's commercial operation date of June 30, 2014 was delayed. HEPCO requested SEC (the offtaker) to grant an extension to the time of completion, which was not granted by SEC. HEPCO issued a notice of dispute on April 26, 2015 under the dispute resolution procedure of the Qurayyah PPA. SEC acknowledged the notice of dispute and, in return, SEC issued a notice of dispute on May 7, 2015. Both SEC and HEPCO remain in discussions with respect to this dispute.

- (13) Bowarege, the Project Company for the Bowarege IWP, is a direct subsidiary of APP.
- (14) RAWEC, the Project Company for the RAWEC IWSPP, is an associate of APP in which APP has a direct ownership interest.
- (15) With respect to the RAWEC Phase I Facilities (see “*Description of the Projects and NOMAC’s Operations—Description of Projects—RAWEC IWSPP / RAWEC—Overview*”).
- (16) With respect to the RAWEC Phase II Facilities (see “*Description of the Projects and NOMAC’s Operations—Description of Projects—RAWEC IWSPP / RAWEC—Overview*”).
- (17) Consists of 360 MW for the RAWEC Phase I Facilities and 160 MW for the RAWEC Phase II Facilities (see “*Description of the Projects and NOMAC’s Operations—Description of Projects—RAWEC IWSPP / RAWEC—Overview*”).
- (18) Consists of 134,000 cubic meters per day for the RAWEC Phase I Facilities and 55,000 cubic meters per day for the RAWEC Phase II Facilities (see “*Description of the Projects and NOMAC’s Operations—Description of Projects—RAWEC IWSPP / RAWEC—Overview*”).
- (19) For the description of the RAWEC WECA, see “*Description of the Projects and NOMAC’s Operations—Description of Projects—RAWEC IWSPP / RAWEC—Key Contractual Agreements—Water and Energy Conversion Agreement*.”
- (20) The Project’s commercial operation date for the RAWEC Phase II Facilities is currently expected to occur in or after the fourth quarter of 2017 (depending on when the offtaker fully complies with its obligations under the RAWEC WECA). The deemed acceptance date for the RAWEC Phase II Facilities occurred in June 2016 and RAWEC has received deemed capacity payments from the offtaker since that date.

For additional information about each of these Projects and a description of the shareholding structure of each Project Company, see “—*Description of Projects*.”

NOMAC operates (as an operation and maintenance contractor for the Shuqaiq IWPP, Qurayyah IPP and Bowarege IWP, or as a subcontractor to the operation and maintenance contractor for the Shuaibah Expansion IWP and Shuaibah IWPP), five of the eight above listed Projects (Shuaibah Expansion IWP, Shuaibah IWPP, Shuqaiq IWPP, Qurayyah IPP and Bowarege IWP). Two of NOMAC’s subsidiaries (Rabigh Operation and Maintenance Company for the Rabigh IPP and Rabigh Power Company for the RAWEC IWSPP) and one joint venture (Jubail O&M Company for the Marafiq IWPP) operate the remaining three Projects. See “—*Description of NOMAC’s Operations related to the Projects—Overview*.” In addition, NOMAC has entered into a contract to operate the Rabigh 2 IPP, which is currently under construction. As a result of the NOMAC Restructuring discussed under “*NOMAC Restructuring*,” NOMAC will not be an operation and maintenance subcontractor for the Shuaibah IWPP, but will continue to operate and maintain (together with its two subsidiaries and one joint venture) the remaining seven Projects and the Rabigh 2 IPP. Operation and maintenance services to the Shuaibah IWPP will be provided by a different newly created entity, which will be a subsidiary of NOMAC Holding Company and which will not be assigning any fees or dividends for the benefit of the Bondholders.

Key Characteristics

Largest Private Power and Water Producer with Experienced Management Team

ACWA Power is Saudi Arabia’s largest private power generator and desalinated water producer, operating through the eight Project Companies. ACWA Power has a strong track record in winning competitive bids, achieved in part due to its ability to consistently deliver tariffs that are significantly lower compared to those of other bidders. ACWA Power’s large scale and diversified portfolio has enabled it to build strong relationships with key local stakeholders and to leverage economies of scale.

ACWA Power’s management team consists of local and international talent with strong sector and industry experience, which provides it with a relevant mixture of international and local expertise. Furthermore, ACWA Power’s culture of empowerment and ownership enables management to extract the employees’ best performance, facilitate decision making and benefit from hands-on management practices.

ACWA Power has won a number of international accreditations and awards for its achievements. The following table sets forth selected awards received during the period from January 1, 2014 to 2017.

SELECTED AWARDS OF ACWA POWER

AWARD/ACCREDITATION	YEAR
Best CSR Project (HIWPT)—World Finance Magazine	2014
Best Project Finance Deal (Kirikkale IPP)—EMEA Finance Award	2014
Best Deal (Kirikkale IPP)—EMEA Finance Award	2014
EMEA Deal of the Year (Kirikkale IPP)—by Project Finance International	2014
Deal of the Year (Moatize IPP)—World Finance Magazine	2014
CSR Company of the Year—MENA (ACWA Power)—by The European (Energy Awards)	2014
Energy Investment Firm of the Year (ACWA Power)—Acquisition International Magazine	2014
Solar Deal of the Year (Noor 1)—World Finance Magazine	2014
Developer of the Year (ACWA Power)—EMEA Finance Award	2015
Best Solar Deal in EMEA (Noor 2 & Noor 3)—EMEA Finance Award	2015
Best Sustainability Deal (Shuaa Energy)—EMEA Finance Award	2015
PV Developer 2015 (ACWA Power)—MENASol	2015
PV & CSP Developer of the Year (ACWA Power)—MENASol	2016
Global Sponsor of the Year (ACWA Power)—Project Finance Magazine	2016
Developer of the Year (ACWA Power)—EMEA Project Finance Magazine	2016
Regional Sponsor Award (ACWA Power)—IJ Global Awards	2016
Best Power Deal (Salalah 2)—IJ Global Awards	2016
Best Solar Deal Award (Shuaa Energy)—IJ Global Awards	2016
The Best Wind Deal (Khalladi Wind)—IJ Global Awards	2016
Global Sponsor of the Year 2015 (ACWA Power)—PFI Awards	2016
Asia's Best First Time Sustainability Award (ACWA Power)—Asia Sustainability Reporting Awards	2016
Regional Sponsor of the Year (ACWA Power)—IJ Global Awards	2017
Power Deal of the Year (Hassyan IPP)—IJ Global Awards	2017
Refinancing Deal of the Year (Rabigh 1 IPP)—IJ Global Awards	2017
Regional Company of the Year (ACWA Power)—MESIA	2017

Supportive and Reputable Shareholder Base

ACWA Power, our parent company and that of APP, has a supportive shareholder base consisting of leading Saudi and regional conglomerates, Saudi Arabian government shareholders and supranational institutions.

Saudi and regional conglomerates: ACWA Power's shareholders include some of the leading Saudi and regional conglomerates and institutional investors with a strong industry background. They provide ACWA Power with credibility, access to key market stakeholders and strategic direction through representation on the ACWA Power Board of Directors. The three founding shareholders include the Al Muhaidib Group and Abdullah Abunayyan Group (Abunayyan Holding), through ACWA Holding, as well as the MADA Group. The founding shareholders and the other private shareholders have interests in sectors like infrastructure, manufacturing, real estate, trading, manufacturing, food, and engineering and technology, among others.

Government shareholders: ACWA Power's shareholders include Sanabil Direct Investment Company (wholly owned by the Public Investment Fund, a sovereign wealth fund of the Kingdom of Saudi Arabia) and the Public Pension Agency of the Kingdom of Saudi Arabia. Both entities are ultimately owned by the Saudi Arabian government. The investment by these entities in ACWA Power is reflective of the strategic importance the Saudi Arabian government places on ACWA Power and ACWA Power's role as a leading private sector investor in the critical power and water infrastructure industries.

Supranational shareholder: The IFC, a member of the World Bank Group, holds over 5% of ACWA Power's shares. As is customary for any IFC investment, ACWA Power has implemented certain corporate governance standards. ACWA Power's management believes that this investment by IFC demonstrates the high quality of its corporate governance practices and its leading role as a developer of large-scale, sophisticated infrastructure in emerging economies.

The following table sets forth information on the shareholders of ACWA Power as of the date of this Offering Memorandum.

SHAREHOLDER	%
ACWA Holding	47.2
MADA Group	23.3
Sanabil Direct Investment Company	11.5
Saudi Public Pension Agency	4.8
International Finance Corporation (IFC)	5.1
Al Mutlaq Group Co.	3.7
Omar Kassem Al Esayi & Marketing Co.	2.3
Badad International Co. for Trading and Construction Ltd.	0.8
Future Industrial Investments Co. Ltd.	0.8
Al-Toukhi Commercial Group Co. Ltd.	0.4
Total	100.0

ACWA Power, the Parent Company of APP and the Issuer, Enjoys Strong Sovereign Support as Investor in and Operator of Key Infrastructure

While rich in oil and gas, the Kingdom of Saudi Arabia does not have any meaningful power interconnectors, and the lack of permanent rivers or lakes, combined with little rainfall, create a critical need for power generation and water desalination infrastructure.

Understanding the importance of this infrastructure to its population, the Saudi Arabian government has provided significant support to the development of its power generation and water desalination infrastructure in the form of sovereign guarantees and long-term offtake agreements, typically lasting 20 to 25 years. Many of the Projects benefit from the strong direct and indirect support from the Saudi Arabian government through ownership interests, offtake partnerships and/or guarantees of payment under offtake agreements.

The offtake agreements for SEPCO, SWEC, JWAP and SQWEC benefit from direct guarantees from the Ministry of Finance of the Kingdom of Saudi Arabia. Furthermore, state-owned companies or government-related entities are the offtakers for all the Projects except the RAWEC IWSPP:

- Saudi Electricity Company (“**SEC**”), which is majority owned by the Saudi Arabian government, is the offtaker for two Projects (Rabigh IPP and Qurayyah IPP);
- the Saline Water Conversion Corporation (“**SWCC**”), which is a government corporation, is the offtaker for one Project (Bawarege IWP);
- the Water and Electricity Company (“**WEC**”), which is owned by SEC (50%) and SWCC (50%), is the offtaker for three Projects (Shuaibah Expansion IWP, Shuaibah IWPP and Shuqaiq IWPP) and its payment obligations under the offtake agreements for these Projects have direct Ministry of Finance guarantees; and
- Tawreed, which is a majority government owned entity and the utility for the economically important special economic zones of Jubail and Yanbu, is the offtaker for one Project (the Marafiq IWPP) and its payment obligations under the offtake agreement for this Project have a direct Ministry of Finance guarantee.

The remaining Project (the RAWEC IWSPP) is a captive Project for which Petro-Rabigh is the offtaker. Saudi Aramco is one of the founding and largest shareholders of Petro-Rabigh.

Moreover, state-owned entities, such as SEC and the Public Investment Fund (“**PIF**”) (which is a sovereign wealth fund of the Kingdom of Saudi Arabia and is an indirect shareholder of ACWA Power), have ownership stakes in SEPCO, SWEC, JWAP, SQWEC, RABEC and HEPCO.

The following table sets forth a summary of involvement in the Project Companies by the Saudi Arabian government or state-owned entities in respect of the offtake agreements and shareholding.

PROJECT COMPANY NAME	OFFTAKER	SOVEREIGN GUARANTEE	GOVERNMENT RELATED OWNERSHIP STAKE
SEPCO	WEC	Yes	SEC: 8% ⁽¹⁾ PIF: 32% ⁽¹⁾
SWEC	WEC	Yes	SEC: 8% PIF ⁽²⁾ : 32%
JWAP	Tawreed	Yes	SEC: 5% PIF ⁽²⁾ : 5% Marafiq: 30%
SQWEC	WEC	Yes	SEC: 8% PIF ⁽²⁾ : 32%
RABEC	SEC	See note ⁽³⁾	SEC: 20%
HEPCO	SEC	See note ⁽³⁾	SEC: 50%
Bowarege	SWCC ⁽⁴⁾	—	—
RAWEC	Petro-Rabigh ⁽⁵⁾	—	—

Notes:

- (1) Shows beneficial ownership. SEC and the PIF own 8% and 32%, respectively, of the shares of SEHCO, the parent company of SEPCO. SEHCO legally owns 97.5% of the shares of SEPCO and beneficially owns 100% of the shares of SEPCO.
- (2) Water Electricity Holding Company, a wholly owned subsidiary of the PIF, is the actual owner of the shares.
- (3) SEC is required to procure credit support (either from an entity with a certain credit rating or the Saudi Arabian government) with respect to its payment obligations under the respective PPA if its credit rating is downgraded below a certain level.
- (4) RAKAA sells desalinated water to SWCC under the Bowarege WPA. Bowarege sells desalinated water to RAKAA under a back-to-back Project Performance Agreement. See “*Description of the Projects and NOMAC’s Operations—Description of Projects—Bowarege IWP / Bowarege—Key Contractual Agreements—Water Purchase Agreement.*”
- (5) Petro Rabigh Petrochemical Company is majority owned by Saudi Arabian Oil Company (Saudi Aramco) and Sumitomo Chemical Company Limited (each with a 37.5% stake).
- (6) Saudi Aramco owns 37.5% of the shares of Petro-Rabigh. Petro-Rabigh owns 1% of the shares of RAWEC.

Sanabil Direct Investment Company, a wholly owned subsidiary of the PIF, and the Public Pension Agency of the Kingdom of Saudi Arabia together own approximately 16.3% of ACWA Power’s shares.

Critical Must Run Infrastructure for Growing Population

According to the World Bank, the Kingdom of Saudi Arabia experienced an average 2.1% per year population growth from 2005 to 2015. As a result of this population growth and the continued urbanization and industrialization of the Kingdom of Saudi Arabia, the demand for power and desalinated water from 2011 to 2015 increased at a CAGR of 7.5% and 5.0%, respectively. The population of the Kingdom of Saudi Arabia is expected to grow by an annual average of 1.5% over the next decade, according to the *World Factbook*. Over the same time, the urbanization and industrialization trends are expected to accelerate, mostly driven by the Vision 2030 policies. These trends are expected to underpin continued growth in demand for power and desalinated water.

The power and water markets in the Kingdom of Saudi Arabia can be characterized as constrained—with little excess capacity to absorb disruptions at any major generation assets. In the power market, current available peak capacity is approximately 62 GW, representing a reserve margin of 10%, which is below the 15% reserve margin considered ideal for an electricity network. Current potable water sources and desalination capacity are able to meet the demand for approximately eight million cubic meters per day according to the Saudi Arabian Water Environment Association.

Given this supply-demand dynamic, and the fact that ACWA Power’s portfolio supplied approximately 23% of electricity generated and 34% of desalinated water produced in the Kingdom of Saudi Arabia in 2015, the Projects are considered “must run” assets that are strategically important and essential in meeting the power and water needs of the Kingdom of Saudi Arabia.

Stable Contractual Framework Delivering Predictable Cash Flows

The offtake agreements (other than the agreement for the Bowarege IWP) are largely availability-based and have fixed tariffs for power and/or water capacity payments intended to cover construction costs, debt financing costs, fixed operation and maintenance costs, taxes and equity return. Payments under these agreements are either made in U.S. dollars or these agreements have U.S. dollar exchange rate indexation built in. These agreements also have an adjustment for inflation mechanism.

A majority of revenue of the Project Companies comes from capacity payments which are made by the offtakers regardless of actual electricity and/or desalinated water output. Capacity payments are generally based on the contracted plant availability. The Project Companies receive capacity payments regardless of actual electricity and/or desalinated water output so long as the plants are available for power generation and/or desalinated water production. If the average plant availability in any given period exceeds the projected contracted availability, the Project Companies are entitled to an incentive fee based on excess availability. If, however, the average availability falls below the projected availability in any period, the Project Companies typically lose revenue and may be subject to certain penalties payable to the offtakers in accordance with formulas set out in the offtake agreements. In addition, there are output payments linked to electricity generation and/or desalinated water production intended to cover variable costs.

Moreover, all of the Projects have in place comprehensive insurance packages covering major risks including business interruption risk.

Each of the Projects other than the Bowarege IWP is individually financed by way of project financings at the level of each Project Company, with a range of regional financial institutions, export credit agencies and/or international financial institutions providing funding. These financing agreements have contracted amortization and, in the large majority of cases, hedging agreements reducing interest rate risk. See “Description of Certain Other Financing Arrangements of Project Companies.”

Finally, each of the Projects has a policy of maximizing dividends to its shareholders. In practice, this means the distribution of all excess cash flows after satisfying the statutory and contractual obligations, typically in the form of creating and maintaining adequate reserves. The dividends policy of each Project Company is governed by its shareholders’ agreement, their articles or bylaws (as appropriate) and the shareholders’ agreement of the bidding company that became the holding company of the Project Company after winning the bid. A change in the dividends policy would require the shareholders’ agreement or agreements to be changed, which requires consent from all parties to such shareholders’ agreement or agreements. Given that APP has covenanted not to change the dividends policy of any Project Company, this means that over the life of the Projects all excess cash flows is expected to be distributed from such Projects. The policy of maximizing dividends to its shareholders, in combination with the contracted revenues, the substantial pass-through of expenses and the hedging arrangements related to existing financing arrangements, provide a stable and transparent stream of cashflows to shareholders.

ACWA Power’s management believes that the risk of the operating agreements at the Project Companies’ level being terminated is negligible as long as the relevant Project Company performs its obligations under the relevant PWPA, PPA or WPA, and that most events of default are within the control of the Project Companies.

The following table sets forth a summary of the termination thresholds under the offtake agreements and the levels of power technical availability achieved by the Project Companies in 2014, 2015 and 2016.

PROJECT NAME	THRESHOLD	2014 TECHNICAL AVAILABILITY	2015 TECHNICAL AVAILABILITY	2016 TECHNICAL AVAILABILITY
Shuaibah IWPP	67% ⁽¹⁾	92.7%	85.5%	91.4%
Marafiq IWPP	75% ⁽²⁾	92.3%	98.2%	97.2%
Shuqaiq IWPP	67% ⁽¹⁾	94.8%	96.9%	95.7%
Rabigh IPP	67% ⁽¹⁾	94.0%	92.8%	87.0%
Qurayyah IPP	75% ⁽¹⁾	n/a	75.6%	87.4%
RAWEC IWSP	90% ⁽³⁾	96.2%	93.3%	93.9%

Notes:

⁽¹⁾ Calculated for any rolling period of 730 days.

⁽²⁾ Calculated for any rolling period of 12 months.

⁽³⁾ Default will occur if average availability is less than 90% of the contracted capacity for 25% of the time in any 180-day period. See “Description of Projects—RAWEC IWSP / RAWEC.”

The following table sets forth a summary of the termination thresholds under the offtake agreements and the levels of water technical availability achieved by the Project Companies in 2014, 2015 and 2016.

PROJECT NAME	THRESHOLD	2014 TECHNICAL AVAILABILITY	2015 TECHNICAL AVAILABILITY	2016 TECHNICAL AVAILABILITY
Shuaibah Expansion IWP	67% ⁽¹⁾	96.4%	97.8%	96.5%
Shuaibah IWPP	67% ⁽¹⁾	89.6%	85.5%	91.3%
Marafiq IWPP	75% ⁽²⁾	94.8%	97.1%	98.8%
Shuqaiq IWPP	67% ⁽¹⁾	96.2%	97.5%	99.4%
Bowarege IWP	95(76)% ⁽³⁾⁽⁴⁾	60.9% ⁽⁵⁾	88.6%	88.7%
RAWEC IWSP	90% ⁽⁶⁾	97.1%	95.3%	92.7%

Notes:

- (1) Calculated for any rolling period of 730 days.
(2) Calculated for any rolling period of 12 months.
(3) Bowarege is required under the terms of the Bowarege WPA to ensure the availability of the water plant at the level of no less than 95% during each month. This minimum availability level, however, is based on the requirement to provide 40,000 cubic meters of desalinated water per day, while the aggregate design capacity of the two barges is 50,000 cubic meters per day. Therefore, the effective minimum water availability for triggering the termination clause under the Bowarege WPA is 76%.
(4) Calculated on a monthly basis.
(5) The technical availability level at the Bowarege IWP in 2014 was adversely affected by the fire on one of the two barges in September 2013, which kept it out of operation until August 2014. See “*Risk Factors—Risks Related to the APP Group, Projects and NOMAC—Operations of the Project Companies and/or NOMAC can be adversely affected by force majeure events such as fire, floods, earthquakes, tsunami, sandstorms, explosions, acts of terrorism or sabotage or other events outside of their control.*”
(6) Default will occur if average availability is less than 90% of the contracted capacity for 75% of the time in any 180-day period. See “—*Description of Projects—RAWEC IWSP / RAWEC.*”

Proven, Well-Understood Technology Leading to Strong Operating Performance

The Projects utilize proven, well-understood technologies that have been widely used around the world, which is particularly important given that the Projects constitute critical infrastructure.

In addition to using proven technology, the Project Companies use components manufactured by leading international original equipment manufacturers, such as GE, Siemens, SIDEM, Mitsubishi Heavy Industries and Dongfeng and high-quality EPC contractors, such as Samsung C&T Corporation and Mitsubishi Heavy Industries. Combining a proven, well-understood technology with high quality components has resulted in strong historical operating performance by the Projects.

The following table sets forth information on the technology and original equipment manufacturers used in each Project.

PROJECT NAME	POWER GENERATION		WATER DESALINATION	
	TECHNOLOGY	ORIGINAL EQUIPMENT MANUFACTURERS	TECHNOLOGY	ORIGINAL EQUIPMENT MANUFACTURERS
Shuaibah Expansion IWP	n/a	n/a	Reverse Osmosis	Doosan Heavy Industries
Shuaibah IWPP	Steam Turbine	Siemens	Multi-Stage Flash Desalination	Doosan Heavy Industries
Marafiq IWPP	Combined Cycle	GE	Multi-Effect Desalination	SIDEM
Shuqaiq IWPP	Steam Turbine	Mitsubishi Heavy Industries	Reverse Osmosis	Mitsubishi Heavy Industries
Rabigh IPP	Steam Turbine	Dongfeng	n/a	n/a
Qurayyah IPP	Combined Cycle	Siemens	n/a	n/a
Bowarege IWP	n/a	n/a	Reverse Osmosis	Wetico
Rawec IWSP	Steam Turbine	Mitsubishi Heavy Industries	Reverse Osmosis	Mitsubishi Heavy Industries

Experienced and Sophisticated Co-Investors

The joint venture partners of ACWA Power include some of the leading infrastructure investors in the region, including Engie, JGC, KEPCO, Malakoff, Marubeni Corporation, Samsung C&T Corporation and Tenaga.

Participation of this investor group underscores and validates the high-quality development, management and operational approach of ACWA Power and NOMAC. In addition, the SEC is a shareholder in seven of the Project Companies and is an offtaker for three of the Projects, which ACWA Power believes creates a symbiotic relationship with the SEC acting as both financial investor and a key contractual counterparty.

A Market-Leading Operation and Maintenance Services Provider in the Kingdom of Saudi Arabia

Since its formation in 2005, NOMAC has become one of the market leading private sector power and water operation and maintenance services companies, contracted to provide operation and maintenance services to 26 projects worldwide, representing 21 GW of power generation and 2.5 million cubic meters per day of water desalination capacity in the Kingdom of Saudi Arabia, Morocco, Oman, South Africa, Bulgaria and Turkey. Its unique strategic positioning allows NOMAC to provide value-added operation and maintenance services by leveraging its size and institutional expertise.

NOMAC provides operation and maintenance services for all of the Projects—either directly (for six Projects) or through two of its subsidiaries and one joint venture (for three Projects).

Revenues Underpinned by Long-Term Agreements

NOMAC's revenues are underpinned by long-term operation and maintenance agreements that provide a high degree of visibility on future revenues. Under these agreements, NOMAC receives priority payments ahead of project-level debt service. Payments to NOMAC cover both fixed and variable cost components along with a return on capital and are based on technical availability of the Projects. For assets in the Kingdom of Saudi Arabia that have been operational for at least one year, the average technical availability for 2016 was 93.0% (2015: 93.3%, 2014: 94.0%) for power and 94.6% (2015: 93.6%, 2014: 89.2%) for water.

The following table sets forth a summary of the contractual framework for each Project.

PROJECT NAME	NOMAC PARTICIPATION	OFFTAKE AGREEMENT TERM (YEARS)	TERM OF THE OPERATION AND MAINTENANCE AGREEMENT (YEARS)	PAYMENT BASIS	INCENTIVE BASIS	LIQUIDATED DAMAGES BASIS
Shuaibah Expansion IWP	100%	20	20	Fixed and Variable	Availability & Efficiency	Availability & Efficiency
Marafiq IWPP	40%	20	20	Fixed and Variable	Availability & Efficiency	Availability & Efficiency
Shuqaiq IWPP	100%	20	20	Fixed and Variable	Availability & Efficiency	Availability & Efficiency
Rabigh IPP	60%	20	20	Fixed and Variable	Availability & Efficiency	Availability & Efficiency
Qurayyah IPP	100%	20	20	Fixed and Variable	Availability & Efficiency	Availability & Efficiency
Bowarege	100%	10	10	Fixed and Variable	Availability	Availability
RAWEC IWSP	51%	25	25	Cost Plus and Variable	Availability & Efficiency	Availability & Efficiency

Cost Efficiency and Management

Given its size and institutional expertise, NOMAC is able to leverage its economies of scale and strategic sourcing to achieve cost efficiencies. In addition, NOMAC has established a five-year procurement plan, which is reviewed and updated annually to improve visibility of its near-to-medium term expenditures. The procurement plan is complemented by long-term supply arrangements that seek to ensure required levels of supplies, as and when they are needed, and to minimize cost volatility.

Rigorous Risk Management Approach to Deliver Consistent Performance

NOMAC's adherence to rigorous risk management principles and an iterative budgeting process helps to provide full visibility on costs and the ability to deliver consistent and predictable financial performance. NOMAC also has a comprehensive enterprise risk management system, which allows for dynamic monitoring of all aspects of its operation and maintenance services. Furthermore, risk-related key performance indicators for every employee make risk management an integral part of NOMAC's business functions.

Proven Maintenance Regime

NOMAC has implemented a robust preventive maintenance regime that seeks to minimize forced outages and better allocate maintenance and scheduling outages for times of lower required availability (for example, during winter).

Human Capital

NOMAC is a specialized organization that is led by a dedicated and experienced management team. It considers human capital to be a key component of its maintenance regime and strategy. As part of this strategy, NOMAC has implemented a five-year forward-looking training and development plan for employees through competency maps and tailored training programs for technicians and operators as well as leadership competency models for management. In addition, NOMAC operates its own training institute for prospective employees, the Higher Institute of Power and Water Training, which allows NOMAC to identify and employ a talented workforce.

Strong Historical KPIs

Historically, NOMAC has delivered a consistent level of technical availability for the Projects. For assets in the Kingdom of Saudi Arabia that have been operational for at least one year, the average technical availability for 2016 was 93.0% for power and 94.6% for water. ACWA Power's management believes that NOMAC has set a new benchmark for operation and management of power and water desalination plants by continuous improvement of its operating and maintenance expertise and services delivery.

Resilient Cash Flows Profile

The combination of long-term contracted revenues, strong operational performance and rigorous budgeting is designed to generate predictable cash flows.

NOMAC applies a budgetary process which seeks to minimize deviations from the projected expenses to help maintain a predictable dividend profile. NOMAC undergoes a rigorous and iterative annual budgeting process over a period of four to five months. The process involves input, review and sign-off from all major departments, rigorous reviews and multiple challenge sessions with the budgeting team. Once a budget has been finalized, management is held accountable for deviations from plan with SAP-based budgetary control processes in place to ensure a strict approval process for unbudgeted spending. Historically, this approach has resulted in only minor deviations from expected performance.

APP Group

APP Group's earnings currently come from the following four sources:

- revenue earned by NOMAC and its subsidiaries and joint ventures principally from providing operation and maintenance services to various project companies within the ACWA Power Group, which account for a significant majority of all revenues of the APP Group. For a discussion of NOMAC's operations, see "*Description of NOMAC's Operations related to the Projects*";
- other revenue accounted for as revenue from services rendered, which principally consist of development fees and fees for management and technical services provided to entities within the ACWA Power Group;
- revenue from sales of water by APP's subsidiary Bowarege, which amounted to SAR 138.1 million in 2016 (for the discussion of the Bowarege IWP, see "*Description of Projects—Bowarege IWP / Bowarege*"); and
- APP Group's share in net income of an associate and joint ventures (the Project Companies other than Bowarege), which amounted to SAR 343.8 million in 2016.

Following the transfer of shares of NOMAC to NOMAC Holding Company, the APP Group will no longer be receiving any revenue from operation and maintenance services provided by NOMAC, its subsidiaries and joint ventures as NOMAC will no longer be a wholly-owned subsidiary of APP. Cash flows from NOMAC's operations after the transfer of shares of NOMAC to NOMAC Holding Company (limited to cash flows from providing operation and maintenance services to eight Projects) will continue to be paid to the Collection Account when NOMAC becomes a subsidiary of NOMAC Holding Company. See "*NOMAC Restructuring*," and "*Description of the Bonds—Accounts—Deposits of Funds into the Collection Account*."

Description of Projects

Shuaibah Expansion IWP / SEPCO

Overview

The Shuaibah Expansion IWP is a project developed on a build, own and operate basis. It was set up in response to the Saudi Arabian government's need for a fast-track solution to the accelerating demand for water in Jeddah, Makkah and nearby areas in the Kingdom of Saudi Arabia. It is located on reclaimed land adjacent to the Shuaibah IWPP, and both plants use a common water discharge channel. The facility was designed, developed and commissioned by Doosan Heavy Industries & Construction Co., Ltd. It uses reverse osmosis technology. The facility's reverse osmosis plant consists of 10 trains with a total water desalination capacity of 150,000 cubic meters per day.

The following table sets out certain key characteristics of the Shuaibah Expansion IWP.

Location	South of Jeddah, the Kingdom of Saudi Arabia
Type	IWP
Commencement of operations	Fourth quarter of 2009
Project cost (in US\$ millions)	233
Water capacity (in cubic meters per day)	150,000
Term of the WPA	20 years
Technology	Reverse osmosis technology
Operation and maintenance	NOMAC (subcontracted by Al-Imtiaz Operational Maintenance Company Limited)

The following table sets out certain operational metrics of the Shuaibah Expansion IWP.

WATER	YEAR ENDED DECEMBER 31,		
	2014	2015	2016
Water technical availability	96.4%	97.8%	96.5%
Water forced outage rate	0.9%	0.4%	1.7%
Minimum water availability for triggering termination clauses	67% ⁽¹⁾	67% ⁽¹⁾	67% ⁽¹⁾

Note:

⁽¹⁾ Unless caused by certain qualifying *force majeure* or risk events, SEPCO will be in default under the terms of the SEPCO WPA if (i) the average availability of the plant is less than 67% of the net dependable water capacity (which is the net water capacity of the plant made available to WEC as measured at specified measurement levels during initial and periodic tests performed in accordance with the SEPCO WPA) for any rolling period of 730 days or more or (ii) there are two consecutive days of willful / unexcused failure to operate or make available any plant unit which has achieved its commercial operation date.

Shareholding Structure

ACWA Power has an indirect shareholding in Shuaibah Expansion Project Company ("SEPCO"), the Project Company that owns the Shuaibah Expansion IWP. ACWA Power's indirect shareholding in SEPCO is held through an indirect shareholding in Saudi-Malaysia Water and Electricity Company Limited ("SAMAWEC") (a joint venture between Shuaibah National Company for Water and Power Limited ("Shuaibah National Company for Water and Power") and Malaysian Shoaiba Consortium Sdn. Bhd. ("Malaysian Shoaiba Consortium"), a consortium of Malaysian investors including Malakoff Corporation Berhad and Tenaga Nasional Berhad) which, in turn, has a 1% ownership interest in SEPCO and a 60% ownership interest in SEHCO, an entity that holds a legal ownership interest of 97.5% in SEPCO. There is an assignment agreement pursuant to which all other shareholders of SEPCO, have assigned their rights to SEHCO, resulting in an effective shareholding by ACWA Power of 30% of SEPCO.

The following table sets out the shareholding interests in SEPCO.

ENTITY	PERCENTAGE INTEREST
	(%)
SEHCO	97.5
SAMAWEC	1.0
Projects Acquisition Company ⁽¹⁾	0.5
Kahromaa Company Limited ("KAHROMAA") ⁽²⁾	0.5
SEC	0.5
Total	100

Notes:

(1) APP owns 95% of the shares of Projects Acquisition Company directly and ACWA Power owns the remaining 5% indirectly.

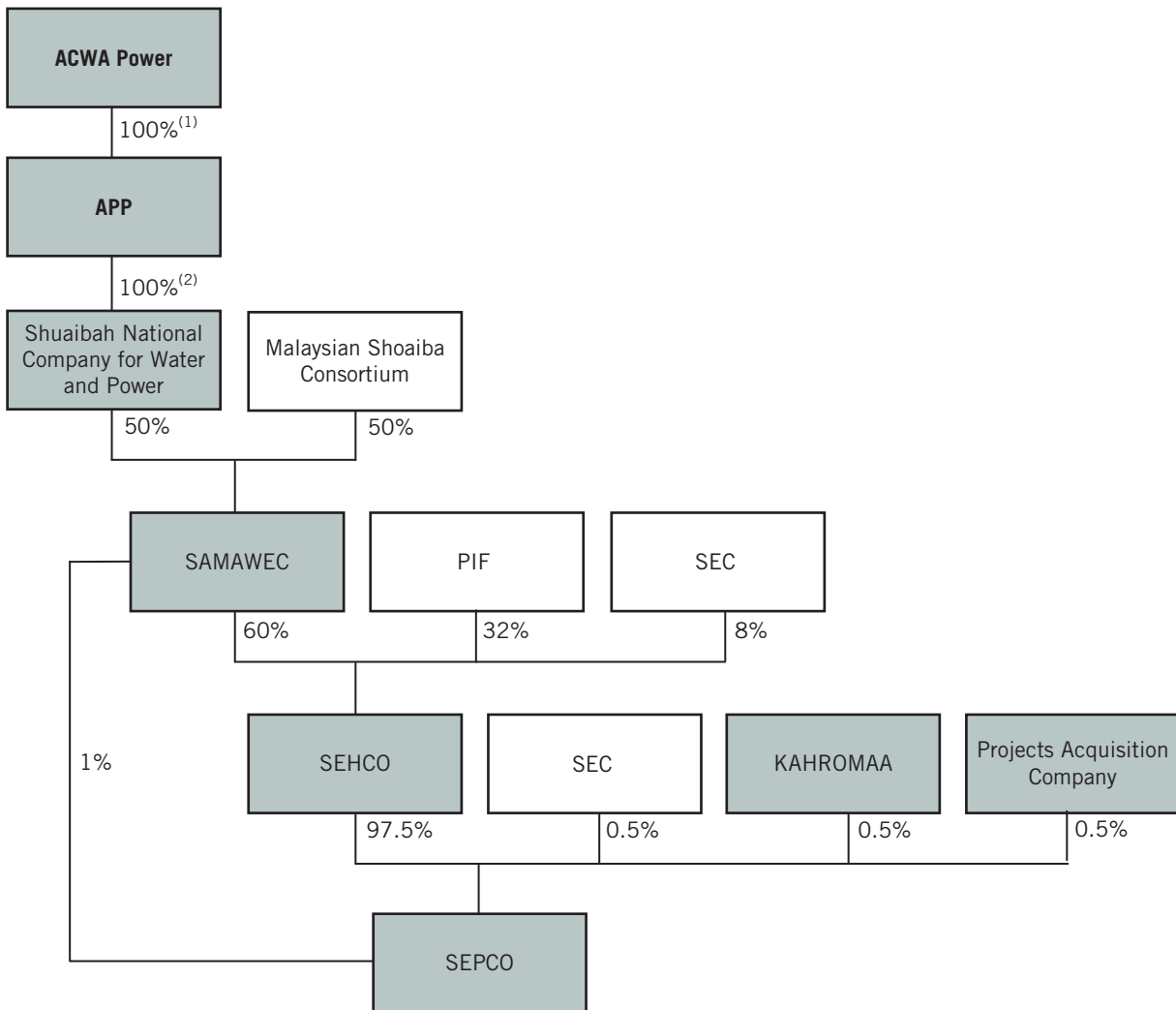
(2) ACWA Power has a direct 95% ownership interest and an indirect 5% ownership interest (through APP) in KAHROMAA.

The following table sets out the shareholding interests in SEHCO.

<u>ENTITY</u>	<u>PERCENTAGE INTEREST</u>
	(%)
SAMAWEC	60
PIF	32
SEC	8
Total	<u><u>100</u></u>

For a description of the shareholders' agreement entered into by SAMAWEC, PIF, SEC, SEHCO and SEPCO with respect to SEPCO, see “—Key Contractual Agreements—Shareholders' Agreement of SEPCO” below.

The following chart shows ACWA Power's and APP's indirect shareholding in SEPCO. Shaded entities in the chart are ACWA Power and its affiliates:



Notes:

(1) ACWA Power owns 98.15% of the shares of APP directly and the remaining 1.85% indirectly.

(2) APP owns 95% of the shares of Shuaibah National Company for Water and Power directly and ACWA Power owns the remaining 5% indirectly.

Insurance

The following table sets out the summaries of the various insurance policies obtained by SEPCO.

<u>TYPE OF POLICY/COVER</u>	<u>INSURER</u>	<u>NATURE OF COVERAGE</u>	<u>LIMIT OF LIABILITY</u>
Property damage and business interruption	Tawuniya (62.5%) and MedGulf (37.5%)	All risks of property damage, machinery breakdown and business interruption Includes all business interruption risks	US\$301,801,000 per occurrence US\$45,500,000 per occurrence
Terrorism and/or sabotage for property damage and business interruption insurance	Tawuniya	Includes physical loss, physical damage or business interruption caused by acts of terrorism and/or sabotage	US\$50,000,000 per occurrence and annual aggregate
Combined general liability insurance	Tawuniya	Liability resulting in legal liability to pay compensation for bodily injury to any person or damage to property	US\$50,000,000 per occurrence

Key Contractual Agreements

Water Purchase Agreement. Water and Electricity Company (“**WEC**”) is the sole purchaser of 100% of both capacity to produce desalinated water and desalinated water actually produced at the Shuaibah Expansion IWP under the terms of the water purchase agreement entered into between SEPCO and WEC on July 15, 2007 (the “**SEPCO WPA**”). Under this agreement, WEC is required to pay to SEPCO, on a monthly basis, (i) water capacity payments (which are broadly structured to compensate SEPCO for its capital costs of developing the project during the term of the SEPCO WPA, the fixed operation and maintenance costs and taxes, as well as to provide SEPCO with investment returns on its investment in the Shuaibah Expansion IWP), and (ii) water payments structured to compensate SEPCO for its variable costs. SEPCO incurs deductions from WEC’s capacity payments if the plant, or a part of it, suffers any reduction in its water capacity or is not capable of operation because of any adverse condition from which SEPCO is not otherwise protected or relieved under the SEPCO WPA. SEPCO will be in default under the terms of the SEPCO WPA in case the availability of the plant is less than 67% of net dependable water capacity (which is the net water capacity of the plant made available to the WEC as measured at specified measurement levels during initial and periodic tests performed in accordance with the SEPCO WPA) for any rolling period of 730 days or more.

SEPCO is protected against decreases in water capacity payments to the extent that the availability of the plant is adversely affected by (i) natural *force majeure* events, such as, among others, lightning, fire, earthquake, flood and other natural disasters or (ii) political *force majeure* events, such as, among others, acts of war, change of law and boycotts. The water output payments depend on the volume of water dispatched and delivered to WEC. The SEPCO WPA payments are indexed to Saudi Arabian and U.S. inflation indexes on an annual basis and protected from currency movements against the U.S. dollar. Under the SEPCO WPA, supplemental payments may be made to compensate SEPCO for start-up costs.

The payment obligations of WEC under the SEPCO WPA are guaranteed by the Ministry of Finance of the Kingdom of Saudi Arabia.

Operation and Maintenance Agreement. SEPCO appointed Alimtiaaz Operational Maintenance Company Limited (“**AOMCO**”) as the operator to provide operation and maintenance services to the Shuaibah Expansion IWP under the operation and maintenance agreement dated July 15, 2007 (the “**SEPCO O&M Agreement**”). AOMCO fully subcontracted the operation and maintenance services to NOMAC under the operation and maintenance subcontract agreement dated July 15, 2007 (“**SEPCO O&M Subcontract**”). The SEPCO O&M Agreement and the SEPCO O&M Subcontract expire on the 20th anniversary of the commercial operation date of the Project, provided that if the SEPCO WPA term is extended, then SEPCO has the right to correspondingly extend the term of the SEPCO O&M Agreement. Similarly, in such circumstances, AOMCO is entitled to extend the term of the SEPCO O&M Subcontract.

Under the SEPCO O&M Agreement, AOMCO is remunerated through both fixed and variable fees. Most payments under the SEPCO O&M Agreement are passed directly through AOMCO to NOMAC without deduction. Under the SEPCO O&M Subcontract, NOMAC assumes AOMCO’s obligation under the SEPCO O&M Agreement to pay the liquidated damages that the operation and maintenance contractor may be liable to pay SEPCO in case of adverse developments with respect to the availability of the plant. Such liquidated damages are equal to 33% of the corresponding reduction in revenue under the SEPCO WPA, although there is an annual cap, except with respect to

fraud, willful default or gross negligence, of 25% of the fixed payment payable to AOMCO as the operation and maintenance contractor. There are also incentive payments and liquidated damages with respect to the consumption of fuel to ensure that AOMCO and, ultimately, NOMAC shares in some of the upside and downside of the plant's efficiency.

Financing Arrangements. For the description of the arrangements for the debt financing of the Shuaibah Expansion IWP, see “*Description of Certain Other Financing Arrangements of Project Companies—Shuaibah Expansion IWP / SEPCO.*”

Shareholders' Agreement of SEPCO. SAMAWEC, PIF, SEC, SEHCO and SEPCO entered into a shareholders' agreement with respect to SEPCO on July 15, 2007 (the “**SEPCO Shareholders' Agreement**”). SAMAWEC owns a 60% shareholding interest in SEHCO, with the remaining 40% held by SEC (8%) and PIF (32%) PIF's 32% ownership interest was transferred to Water Electricity Holding Company, a wholly owned subsidiary of the PIF. Under the terms of this agreement, SEHCO owns 97.5% of the issued share capital of SEPCO, with the remaining shares held by SAMAWEC (1%), SEC (0.5%), Projects Acquisition Company (0.5%) and KAHROMAA (0.5%).

Under the SEPCO Shareholders' Agreement, SEPCO's board of directors consists of seven members. Each of SAMAWEC, PIF and SEC (as shareholders in SEHCO) has the right to nominate a board member of SEPCO for every multiple of 15% of SEHCO's issued share capital that such shareholder of SEHCO holds, provided that, for so long as SEC holds at least 8% of SEHCO's issued share capital, it will be entitled to nominate at least one board member of SEPCO. The chairman of the board of directors of SEPCO is appointed by PIF. SAMAWEC has the right to nominate the executive managing officer of SEPCO, who is responsible for the day-to-day management and operations of SEPCO.

Consent of all members of the board of directors is required for certain major actions of SEPCO, such as entering into a joint venture or partnership arrangements, the sale of substantially all of its assets, investments in other companies and the making of any loan in excess of a certain threshold in the aggregate in any 12-month period (other than the loans provided for in SEPCO's annual budget). Furthermore, certain decisions are specifically reserved for the shareholders of SEPCO (including with respect to (i) any amendment of the constitutive documents, (ii) any changes in the authorized share capital of SEPCO or issuance of any new share capital, (iii) any call for shareholders' contributions by way of debt, (iv) any material change in the nature of SEPCO's business, (v) any resolution for winding-up SEPCO unless it becomes insolvent, (vi) any SEPCO-related merger or acquisition, (vii) approval or amendment of the annual budget or long-term budget, (viii) appointment or removal of auditors, (ix) any change in the powers, authority, duties and responsibilities of the executive managing officer of SEPCO and (x) any resolution to establish additional reserves or carry forward or retain a portion of the profits).

If a shareholder commits a breach of any of its material obligations under the SEPCO Shareholders' Agreement and does not remedy such breach within the specified period of time after receiving notice of such breach or upon the occurrence of another event of default applicable to such shareholder, the non-defaulting shareholders have the right to purchase all of the defaulting shareholder's shares or require the defaulting shareholder to buy all of the shares held by the non-defaulting shareholders.

The shareholders have agreed that SEPCO's dividend policy must seek to maximize shareholder returns through the distribution of the full amount of SEPCO's profits available for distribution after making such transfers to reserves and provisions as are set out in the SEPCO Shareholders' Agreement or ought to reasonably be made in the opinion of SEPCO's board of directors. Under the SEPCO Shareholders' Agreement, 10% of net profits must be set aside as a statutory reserve (before distribution of profits to SEHCO) until the accumulated reserve equals 50% of the share capital of SEPCO.

The SEPCO Shareholders' Agreement remains valid until such time as it is terminated (i) by unanimous agreement of the parties or (ii) if, as a result of a transfer of the share capital of SEHCO (the “**SEPCO Holdco Shares**”) permitted under the SEPCO Shareholders' Agreement, all the SEPCO Holdco Shares are held by only one shareholder or (iii) with respect to any shareholder, if it no longer holds any SEPCO Holdco Shares as a result of a transfer of SEPCO Holdco Shares or (iv) upon the expiry of the term of SEPCO in accordance with its constitutive documents.

Shuaibah IWPP / SWEC

Overview

The Shuaibah IWPP is a project developed on a build, own and operate basis, which is located approximately 120 kilometers south of Jeddah. The Shuaibah IWPP was the first IWPP to be developed in the Kingdom of Saudi Arabia following the Saudi Arabian government's decision to open the electricity generation and desalinated water production markets to private investment. The plant delivers water and electricity to a wide region including the cities of Makkah, Jeddah, Taif and Al-Baha.

The Shuaibah IWPP utilizes Arabian light crude oil as fuel, which is provided by the Project's offtaker WEC under a tolling arrangement. It has an electricity generation capacity of 900 MW using a steam turbine configuration and a desalinated water output capacity of 880,000 cubic meters a day using the multi-stage flash desalination process.

In 2007, the ACWA Power Group, together with the other parties involved in this project, undertook an expansion of the Project through the addition of a reverse osmosis desalination project with a capacity of 150,000 cubic meters per day. The description of this project is provided in "*—Shuaibah Expansion IWP / SEPCO.*"

The following table sets out certain key characteristics of the Shuaibah IWPP.

Location	South of Jeddah, the Kingdom of Saudi Arabia
Type	IWPP
Commencement of operations	First quarter of 2010
Project cost (in US\$ millions)	2,450
Power capacity (in MW)	900
Water capacity (in cubic meters per day)	880,000
Term of the PWPA	20 years
Fuel	Arabian light crude oil
Technology	Steam turbine configuration
Operation and maintenance	NOMAC as a subcontractor

The following table sets out certain operational metrics of the Shuaibah IWPP.

POWER	YEAR ENDED DECEMBER 31,		
	2014	2015	2016
Power technical availability	92.7%	85.5%	91.4%
Power forced outage rate	5.3%	5.7%	3.8%
Minimum power availability for triggering termination clauses	67% ⁽¹⁾	67% ⁽¹⁾	67% ⁽¹⁾

Note:

⁽¹⁾ Unless caused by certain qualifying *force majeure* or risk events, SWEC will be in default under the terms of the Shuaibah PWPA (as defined below) if (i) the average availability of the plant is less than 67% of the net dependable power capacity for any rolling period of 730 days or more or (ii) there are two consecutive days of willful / unexcused failure to operate or make available any plant unit which has achieved its commercial operation date.

WATER	YEAR ENDED DECEMBER 31,		
	2014	2015	2016
Water technical availability	89.6%	85.5%	91.3%
Water forced outage rate	8.6%	5.3%	3.9%
Minimum water availability for triggering termination clauses	67% ⁽¹⁾	67% ⁽¹⁾	67% ⁽¹⁾

Note:

⁽¹⁾ Unless caused by certain qualifying *force majeure* or risk events, SWEC will be in default under the terms of the Shuaibah PWPA (as defined below) if (i) the average availability of the plant is less than 67% of the net dependable water capacity for any rolling period of 730 days or more or (ii) there are two consecutive days of willful / unexcused failure to operate or make available any plant unit which has achieved its commercial operation date.

Shareholding Structure

ACWA Power has an indirect shareholding in Shuaibah Water and Electricity Company ("**SWEC**"), the Project Company that owns the Shuaibah IWPP. ACWA Power's indirect shareholding in SWEC is held through an indirect shareholding in Saudi-Malaysia Water and Electricity Company Limited ("**SAMAWEC**") (a joint venture with Malaysian Shoaiba Consortium) which, in turn, has a 60% ownership interest in SWEC.

The following table sets out the shareholding interests in SWEC.

ENTITY	PERCENTAGE INTEREST
	(%)
SAMAWEC	60
PIF ⁽¹⁾	32
SEC	8
Total	100

Note:

(1) Water Electricity Holding Company, a wholly owned subsidiary of the PIF, is the actual owner of the shares.

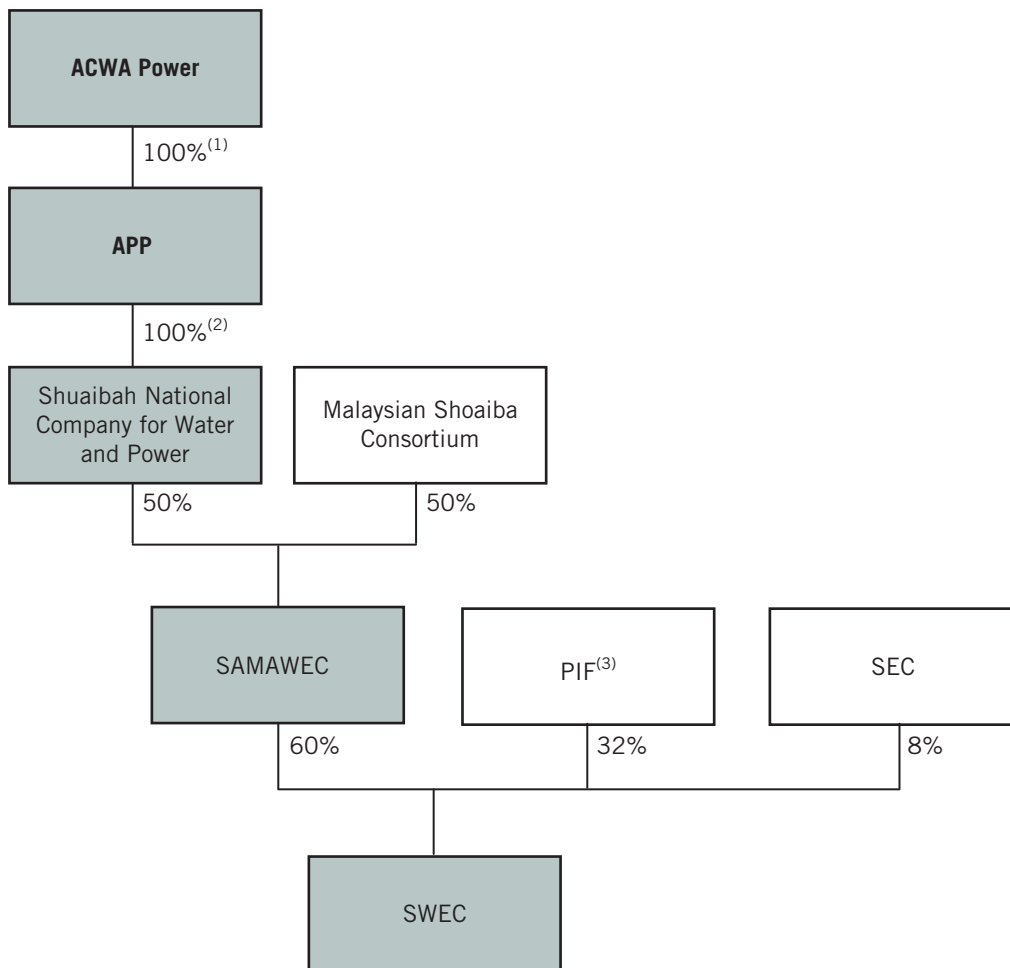
For a description of the shareholders' agreement entered into by the shareholders of SWEC, see “—Shareholders' Agreement of SWEC—Key Contractual Agreements” below.

The following table sets out the shareholding interests in SAMAWEC.

<u>ENTITY</u>	<u>PERCENTAGE INTEREST</u>
	(%)
Shuaibah National Company for Water and Power Limited (“ Shuaibah National Company for Water and Power ”)	50
Malaysian Shoaiba Consortium	50
Total	<u><u>100</u></u>

For a description of the shareholders' agreement entered into by the shareholders of SAMAWEC, see “—Key Contractual Agreements—Shareholders' Agreement of SAMAWEC” below.

The following chart shows ACWA Power's and APP's indirect shareholding in SWEC. Shaded entities in the chart are ACWA Power and its affiliates.



Notes:

(1) ACWA Power owns 98.15% of the shares of APP directly and the remaining 1.85% indirectly.

(2) APP owns 95% of the shares of Shuaibah National Company for Water and Power directly and ACWA Power owns the remaining 5% indirectly.

(3) Water Electricity Holding Company, a wholly owned subsidiary of the PIF, is the actual owner of the shares.

Insurance

The following table sets out the summaries of the various insurance policies obtained by SWEC.

TYPE OF POLICY/COVER	INSURER	NATURE OF COVERAGE	LIMIT OF LIABILITY
Property damage and business interruption	Tawuniya and Medgulf	"All risks" property damage, machinery breakdown and business interruption cover policy and schedule	US\$750,000,000 combined for property damage and business interruption
Terrorism and sabotage	Tawuniya	Terrorism insurance and business interruption cover	US\$50,000,000 for any one occurrence and in the annual aggregate
Public liability	Tawuniya	Third-party liability, product liability and pollution liability	US\$50,000,000 for each and every occurrence US\$50,000,000 in the aggregate for products liability per policy period

Key Contractual Agreements

Power and Water Purchase Agreement. WEC is the sole purchaser of 100% of the electricity generated and desalinated water produced at the Shuaibah IWPP as well as of its power and water capacity pursuant to the power and water purchase agreement (the "**SWEC PWPA**") entered into between SWEC and WEC on November 15, 2005, as amended.

Under the SWEC PWPA, WEC is required to pay to SWEC, on a monthly basis, (i) power and water capacity payments (which are broadly structured to compensate SWEC for its capital costs of developing the project during the term of the SWEC PWPA, the fixed operation and maintenance costs and taxes, as well as to provide SWEC with investment returns on its investment in the Shuaibah IWPP), and (ii) electricity and water payments structured to compensate SWEC for its variable costs. SWEC incurs deductions from WEC's power or water capacity payments if the plant, or a part of it, suffers any reduction in its power capacity or water capacity, respectively, or is not capable of operation because of any adverse condition from which SWEC is not otherwise protected or relieved under the SWEC PWPA. SWEC will be in default under the terms of the SWEC PWPA in case the availability of the power plant is less than 67% of either the then net-dependable power capacity or net-dependable water capacity (i.e., the net power capacity or net water capacity of the plant made available to the WEC as measured at specified measurement levels during initial and periodic tests performed in accordance with the SWEC PWPA) for any rolling period of 730 days or more.

SWEC is protected against decreases in power capacity or water capacity payments to the extent that the availability of the plant is adversely affected by (i) natural *force majeure* events, such as, among others, lightning, fire, earthquake, flood and other natural disasters or (ii) political *force majeure* events, such as, among others, acts of war, change of law and boycotts. The electricity and water output payments depend on the volume of electricity and water dispatched and delivered to WEC. The SWEC PWPA payments are indexed to Saudi Arabian and U.S. inflation indices on an annual basis and protected from currency movements against the U.S. dollar. Under the SWEC PWPA, supplemental payments may be made to compensate SWEC for start-up costs.

The payment obligations of WEC under the SWEC PWPA are guaranteed by the Ministry of Finance of the Kingdom of Saudi Arabia.

Under the SWEC PWPA, WEC has the responsibility to deliver to SWEC the required quantities of fuel (subject to a maximum cap). There is, therefore, no separate fuel supply agreement relating to this Project. However, if the plant consumes more fuel than is estimated under the SWEC PWPA, SWEC will have to reimburse WEC a part of the fuel incentive payments. Similarly, if the plant consumes less fuel, SWEC is entitled to receive incentive payments from WEC.

Operation and Maintenance Agreement. SWEC appointed Saudi Malaysia Operation and Maintenance Company ("**SMOMC**") as operator to provide operation and maintenance services to the Shuaibah IWPP under the operation and maintenance agreement dated January 14, 2006 (the "**SWEC O&M Agreement**"). SMOMC fully subcontracted the operation and maintenance services to NOMAC under the operation and maintenance subcontract agreement dated January 14, 2006 ("**SWEC O&M Subcontract**"). The SWEC O&M Agreement and the SWEC O&M Subcontract expire on the 20th anniversary of the commercial operation date of the Project, provided that if the SWEC PWPA

term is extended, then SWEC has the right to correspondingly extend the term of the SWEC O&M Agreement. Similarly, in such circumstances, SMOMC is entitled to extend the term of the SWEC O&M Subcontract.

Under the SWEC O&M Agreement, SMOMC is remunerated through both fixed and variable fees. Most payments under the SWEC O&M Agreement are passed directly from SMOMC to NOMAC without deduction. Under the SWEC O&M Subcontract, NOMAC assumes SMOMC's obligation under the SWEC O&M Agreement to pay the liquidated damages that the operation and maintenance contractor may be liable to pay SWEC in case of adverse developments with respect to the availability of the plant. Such liquidated damages are equal to 33% of the corresponding reduction in revenue under the SWEC PWPA, although there is an annual cap, except with respect to fraud, willful default or gross negligence, of 25% of the fixed payment payable to SMOMC as the operation and maintenance contractor. There are also incentive payments and liquidated damages with respect to the consumption of fuel to ensure that SMOMC and, ultimately, NOMAC shares in some of the upside and downside of the plant's efficiency.

Financing Arrangements. For the description of the arrangements for the debt financing of the Shuaibah IWPP, see “*Description of Certain Other Financing Arrangements of Project Companies—Shuaibah IWPP / SWEC.*”

Shareholders' Agreement of SWEC. SWEC, SAMAWEC, PIF and SEC entered into the shareholders' agreement with respect to SWEC on November 14, 2005. This agreement was subsequently amended in 2006 and then again amended on June 22, 2009 (as amended, the “**SWEC Shareholders' Agreement**”). Under the terms of this agreement, SAMAWEC has a 60% ownership interest in SWEC, with PIF owning 32% (which was transferred to Water Electricity Holding Company, a wholly owned investment company owned by PIF) and SEC owning the remaining 8%. As a result, APP indirectly (through Shuaibah National Company for Water and Power) has a 50% ownership interest in SAMAWEC and APP's indirect ownership interest in SWEC is, therefore, 30%.

Under the SWEC Shareholders' Agreement, SWEC's board of directors consists of seven directors, with each shareholder having the right to nominate a board member for every multiple of 15% of SWEC's issued share capital that such shareholder holds, provided that, for so long as SEC holds at least 8% of SWEC's issued share capital, it will be entitled to nominate at least one board member. The chairman of the board of directors is to be appointed by PIF. SAMAWEC has the right to appoint the executive managing officer of SWEC, who is responsible for the day-to-day management and operations of SWEC.

Consent of all members of the board of directors is required for certain major decisions of SWEC, such as entering into joint venture or partnership arrangements, the sale of substantially all of its assets, investments in other companies and the making of any loan in excess of a certain threshold. Furthermore, certain decisions are specifically reserved for the shareholders of SWEC (including with respect to (i) any amendment of the constitutive documents, (ii) any change in the authorized share capital of SWEC or issuance of any new share capital, (iii) any call for shareholder contributions by way of debt, (iv) any material change in the nature of SWEC's business, (v) any resolution for winding-up of SWEC unless it becomes insolvent, (vi) any SWEC-related merger or acquisition, (vii) approval or amendment of the annual budget or long-term budget, (viii) appointment or removal of the auditors, (ix) any change in the powers, authority, duties and responsibilities of the executive managing officer of SWEC and (x) any resolution to establish additional reserves or carry forward or retain a portion of the profits).

The share capital in SWEC can only be increased in accordance with SWEC's memorandum of association and by-laws and following the unanimous approval of the shareholders. A transfer of SWEC's shares is subject to the terms of the SWEC Shareholders' Agreement and will require the prior written consent of the other shareholders, unless such transfer falls within the limited number of permitted transfers by PIF, SEC or SAMAWEC.

If a shareholder breaches a material term of the SWEC Shareholders' Agreement amounting to an event of default (as defined in the SWEC Shareholders' Agreement), the non-defaulting shareholders have the right to purchase all of the defaulting shareholder's shares or require the defaulting party to buy all the shares of the non-defaulting shareholders.

The shareholders have agreed that SWEC's dividend policy must seek to maximize shareholder returns through the distribution of all available profits (subject to any restrictions under any applicable law) after making required transfers to any reserve accounts. A decision to declare a dividend requires a majority decision of the board of directors of SWEC. Under the SWEC Shareholders' Agreement, 4% of the annual net profits must be set aside as a statutory reserve until the accumulated reserve equals 20% of the issued share capital of SWEC.

The SWEC Shareholders' Agreement remains valid until such time as it is terminated (i) by unanimous agreement of the shareholders or (ii) if, as a result of one or more transfers, all the shares in SWEC are held by only one shareholder or (iii) with respect to any party to the SWEC Shareholders' Agreement, if that party ceases to hold any shares in SWEC as a result of a transfer of shares permitted under the SWEC Shareholders' Agreement or (iv) upon the expiration of the term of SWEC in accordance with its memorandum of association and by-laws.

Shareholders' Agreement of SAMAWEC. Shuaibah National Company for Water and Power, Malaysian Shoaiba Consortium and SAMAWEC entered into a shareholders' agreement with respect to SAMAWEC on April 20, 2007 (the "**SAMAWEC Shareholders' Agreement**"). Under the terms of this agreement, each of Shuaibah National Company for Water and Power and Malaysian Shoaiba Consortium owns 50% of SAMAWEC.

SAMAWEC's board of directors consists of six directors, with each shareholder having the right to appoint three directors. The chairman of the board of directors is to be appointed by each shareholder from among the members of the board on a rotating basis each year.

The SAMAWEC Shareholders' Agreement contains a list of decisions specifically reserved for the board of directors of SAMAWEC, such as decisions on entering into joint venture or partnership arrangements or on the making of any advance by SAMAWEC to its subsidiary in excess of SAR 7.5 million in the aggregate in any 12-month period. Furthermore, certain decisions are specifically reserved for the shareholders of SAMAWEC (including (i) amendment of the articles of SAMAWEC, (ii) any call for shareholder contributions by way of debt, (iii) a material change in the business of SAMAWEC, (iv) any resolution for winding-up SAMAWEC unless it becomes insolvent, (v) any SAMAWEC-related merger or investment in other companies, (vi) approval or amendment of the annual budget or long-term budget of SAMAWEC, (vii) appointment or removal of the auditors, (viii) declaring, adopting or altering any dividend or other distribution policy, (ix) any change in the power, authority, duties and responsibilities of the chairman of the board of directors, and (x) any resolution on any matters reserved for the board of directors under the SAMAWEC Shareholders' Agreement).

The SAMAWEC Shareholders' Agreement states that SAMAWEC's dividend policy is to maximize shareholder returns. The shareholders undertake to provide sufficient funds to enable SAMAWEC to meet its funding obligations under the SAMAWEC Shareholders' Agreement or as otherwise determined by the board of directors of SAMAWEC.

The share capital of SAMAWEC can only be increased in accordance with SAMAWEC's articles of association and following the unanimous approval of the shareholders.

The shareholders are prohibited from selling, transferring, assigning, encumbering or otherwise disposing of their respective shareholdings in SAMAWEC, except to one another or to a third party (subject to the transfer restrictions set out in the SAMAWEC Shareholders' Agreement), or pursuant to an initial public offering of the shares in SAMAWEC (subject to compliance with applicable laws, the transfer restrictions under the SAMAWEC Shareholders' Agreement and prior written approval of the shareholders, financing parties and PIF and SEC). If a shareholder breaches a material term of the SAMAWEC Shareholders' Agreement and such breach results in an event of default under the terms of this agreement, the non-defaulting shareholders have the right to require the defaulting shareholder to sell all of its shares in SAMAWEC to the non-defaulting shareholders for a price determined under the SAMAWEC Shareholders' Agreement that depends on the nature of such event of default.

The SAMAWEC Shareholders' Agreement will remain valid until such time that it is terminated (i) by mutual written consent of the shareholders or (ii) if there is a court order winding-up SAMAWEC or (iii) in the event of the listing of securities of SAMAWEC on any securities exchange or (iv) with respect to any party to the SAMAWEC Shareholders' Agreement, if that party ceases to hold any shares in SAMAWEC as a result of a transfer of shares permitted under the SAMAWEC Shareholders' Agreement or (v) if SAMAWEC ceases to exist or (vi) as a result of a shareholder event of default under the SAMAWEC Shareholders' Agreement.

Marafiq IWPP / JWAP

Overview

The Marafiq IWPP is a project developed on a build, own, operate and transfer basis, which is located in the area of the industrial city of Jubail in the northeastern part of the Kingdom of Saudi Arabia. The Marafiq IWPP delivers water and electricity to the city of Jubail and the northeastern part of the Kingdom of Saudi Arabia as a whole.

The Marafiq IWPP utilizes natural gas as primary fuel and high-speed diesel as back-up fuel. The plant is designed to have a net power generation capacity of 2,744 MW using a combined cycle configuration and a net desalinated water output capacity of 800,000 cubic meters a day using the multi-effect distillation technology with thermal vapor compression. This is a thermally driven process that involves heating sea water to boiling through multiple stages at successively lower pressures. The produced vapor is condensed in the downstream stage to form distilled water. The process achieves good use of the input thermal energy, with the expected delivery of 9.85 tons of product water for each ton of steam consumed. The distilled water is re-mineralized to meet the quality standards for specified product water. The Marafiq IWPP consists of 27 desalination units and four power blocks. Three of the blocks each feature three General Electric 7FA gas turbines (PG 7241FA+e) and one back-pressure steam turbine and the fourth block consists of three General Electric 7FA gas turbines (PG 7241FA+e) and one condensing steam turbine. The fourth block is totally independent from the other power blocks.

The following table sets out certain key characteristics of the Marafiq IWPP.

Location	Jubail, north eastern part of the Kingdom of Saudi Arabia
Type	IWPP
Commencement of operations	Fourth quarter of 2010
Project cost (in US\$ millions)	3,359
Power capacity (in MW)	2,744
Water capacity (in cubic meters per day)	800,000
Term of the PWPA	20 years
Fuel	Natural gas as primary fuel and high-speed diesel as back-up fuel
Technology	Power: Combined cycle (gas and steam) configuration Water: Multi-effect distillation technology
Operation and maintenance	Jubail O&M Company Limited, a joint venture in which ACWA Power has a 40% indirect ownership stake

The following table sets out certain operational metrics of the Marafiq IWPP.

POWER	YEAR ENDED DECEMBER 31,		
	2014	2015	2016
Power technical availability	92.3%	98.2%	97.2%
Power forced outage rate	5.2%	0.3%	0.5%
Minimum power availability for triggering termination clauses	75% ⁽¹⁾	75% ⁽¹⁾	75% ⁽¹⁾

Notes:

⁽¹⁾ Unless caused by certain qualifying *force majeure* or risk events, JWAP will be in default under the terms of the Marafiq PWPA (as defined below) if (i) the average availability of the plant is less than 75% of the projected availability for power for any rolling period of 12 consecutive months or more or (ii) there are two consecutive days of willful / unexcused failure to operate or make available any plant unit which has achieved its commercial operation date.

WATER	YEAR ENDED DECEMBER 31,		
	2014	2015	2016
Water technical availability	94.8%	97.1%	98.8%
Water forced outage rate	3.2%	1.3%	0.5%
Minimum water availability for triggering termination clauses	75% ⁽¹⁾	75% ⁽¹⁾	75% ⁽¹⁾

Notes:

⁽¹⁾ Unless caused by certain qualifying *force majeure* or risk events, JWAP will be in default under the terms of the Marafiq PWPA (as defined below) if (i) the average availability of the plant is less than 75% of the projected availability for water for any rolling period of 12 consecutive months or more or (ii) there are two consecutive days of willful / unexcused failure to operate or make available any plant unit which has achieved its commercial operation date.

Shareholding Structure

ACWA Power has an indirect shareholding in Jubail Water and Power Company (“**JWAP**”), the Project Company that owns the Marafiq IWPP. ACWA Power’s indirect shareholding in JWAP is held through an indirect shareholding in SGA Marafiq Holdings W.L.L which, in turn, has a 60% ownership interest in JWAP.

The following table sets out the shareholding interests in JWAP.

ENTITY	PERCENTAGE INTEREST
	(%)
SGA Marafiq Holdings W.L.L	60
Power and Water Utility Company for Jubail and Yanbu (“ MARAFIQ ”)	30
PIF ⁽¹⁾	5
SEC	5
Total	100

Note:

⁽¹⁾ Water Electricity Holding Company, a wholly owned subsidiary of the PIF, is the actual owner of the shares.

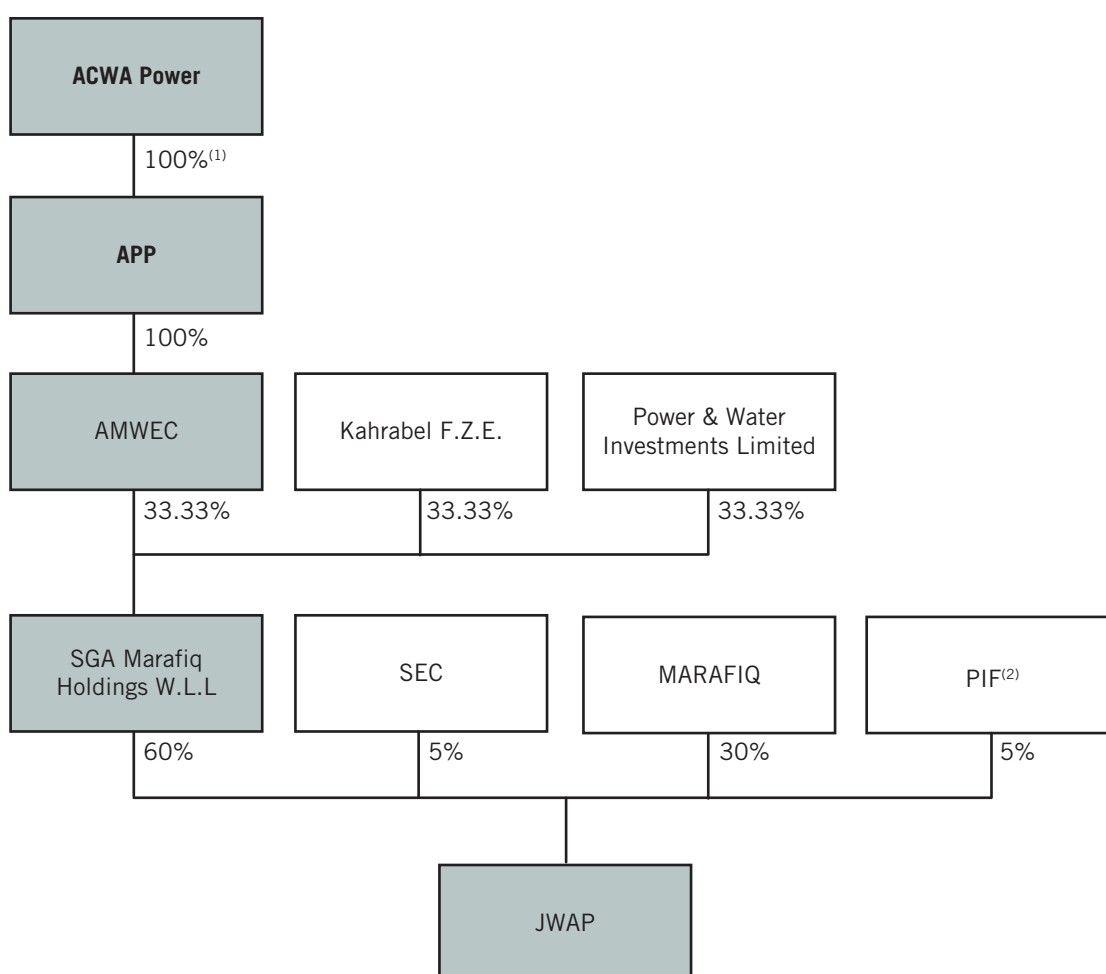
For a description of the shareholders' agreement entered into by the shareholders of JWAP, see “—Key Contractual Agreements—Shareholders' Agreement of JWAP” below.

The following table sets out the shareholding interests in SGA Marafiq Holdings W.L.L.

<u>ENTITY</u>	<u>PERCENTAGE INTEREST</u>
	(%)
AMWEC	33.3
Kahrabel F.Z.E.	33.3
Power & Water Investments Limited	<u>33.3</u>
Total	<u>100</u>

For a description of the consortium agreement entered into by the indirect shareholders of SGA Marafiq Holdings W.L.L., see “—Key Contractual Agreements—Consortium Agreement of SGA Marafiq Holdings W.L.L.” below.

The following chart shows ACWA Power's and APP's indirect shareholding in JWAP. Shaded entities in the chart are ACWA Power and its affiliates.



Notes:

(1) ACWA Power owns 98.15% of the shares of APP directly and the remaining 1.85% indirectly.

(2) Water Electricity Holding Company, a wholly owned subsidiary of the PIF, is the actual owner of the shares.

Insurance

The following table sets out the summaries of the various insurance policies obtained by JWAP.

TYPE OF POLICY/COVER	INSURER	NATURE OF COVERAGE	LIMIT OF LIABILITY
Property damage and business interruption	Medgulf	"All risks" property damage, machinery breakdown and business interruption	US\$750,000,000 per occurrence for property damage and business interruption for each event
Political violence and terrorism	Medgulf	Political violence and terrorism	US\$200,000,000 per occurrence and annual aggregate, including business interruption
Third-party liability and product liability	Tawuniya	Third-party liability and product liability	US\$50,000,000 for any one occurrence and in the aggregate with respect to product liability

Key Contractual Agreements

Power and Water Purchase Agreement. Marafiq Water and Power Supply Company ("**Tawreed**") is the sole purchaser of 100% of the electricity generated and desalinated water produced at the Marafiq IWPP as well as of its power and water capacity pursuant to the power and water purchase agreement (the "**Marafiq PWPA**") entered into between SGA Marafiq Holdings W.L.L and Tawreed on January 15, 2007, as amended. A novation agreement was subsequently entered into between SGA Marafiq Holdings W.L.L, Tawreed and JWAP on May 14, 2007 whereby JWAP was substituted in place of SGA Marafiq Holdings W.L.L as a party to the Marafiq PWPA together with all rights, title, interest and obligations in respect of the Marafiq PWPA.

Under the Marafiq PWPA, Tawreed is required to pay to JWAP, on a monthly basis, (i) power and water capacity payments (which are broadly structured to compensate JWAP for its capital costs of developing the project during the term of the Marafiq PWPA, the fixed operation and maintenance costs and taxes, as well as to provide JWAP with investment returns on its investment in the Marafiq IWPP), and (ii) electricity and water payments structured to compensate JWAP for its variable costs. JWAP incurs deductions from Tawreed's power or water capacity payments if the plant, or a part of it, suffers any reduction in its power capacity or water capacity, respectively, or is not capable of operation because of any adverse condition from which JWAP is not otherwise protected or relieved under the Marafiq PWPA. JWAP will be in default under the terms of the Marafiq PWPA in case the availability of the power plant is less than 75% of the projected availability for power or for water, as the case may be, for any rolling period of 12 consecutive months or more.

JWAP is protected against decreases in power capacity or water capacity payments to the extent that the availability of the plant is adversely affected by (i) natural *force majeure* events, such as, among others, lightning, fire, earthquake, flood and other natural disasters as well as (ii) political *force majeure* events, such as, among others, acts of war, change of law and boycotts. The electricity and water output payments depend on the volume of electricity and water dispatched and delivered to Tawreed. The Marafiq PWPA payments are indexed to Saudi Arabian and U.S. inflation indices on an annual basis and protected from currency movements against the U.S. dollar.

The payment obligations of Tawreed under the Marafiq PWPA are guaranteed by the Ministry of Finance of the Kingdom of Saudi Arabia.

Under the Marafiq PWPA, Tawreed has the responsibility to deliver to JWAP the required quantities of fuel (subject to a maximum cap). There is, therefore, no separate fuel supply agreement relating to this Project. However, if the plant consumes more fuel than is estimated under the Marafiq PWPA, JWAP will have to reimburse Tawreed for the additional fuel consumed. Similarly, if the plant consumes less fuel by 0.5% or more, the total value of such difference will be paid by Tawreed to JWAP.

If the Marafiq PWPA is terminated due to the fault of JWAP, Tawreed will have the option to purchase the Marafiq IWPP. However, if the Marafiq PWPA is terminated due to any other event, then Tawreed is required to purchase the Marafiq PWPA.

Unless the Marafiq PWPA is terminated in accordance with its terms, and provided Tawreed has paid all outstanding amounts due and payable to JWAP, JWAP must, on the last date of the twentieth anniversary of the Project's commercial operation date, transfer, free and clear of all liens, and at no cost to Tawreed, all of JWAP's right, title and interest in the Marafiq IWPP.

Operation and Maintenance Agreement. JWAP appointed Suez NOMAC O&M Holding Company W.L.L (“**Suez NOMAC**”) as a contractor to provide operation and maintenance services to the Marafiq IWPP under the operation and maintenance agreement dated June 9, 2007 (the “**Marafiq O&M Agreement**”). A novation agreement was subsequently entered into on June 28, 2008 between JWAP, Suez NOMAC and Jubail O&M Company Limited (“**Jubail O&M Company**”) whereby the parties agreed that Jubail O&M Company be substituted in place of Suez NOMAC and in which all of Suez NOMAC’s rights, title, interest and obligations in the Marafiq O&M Agreement be transferred to and vested in Jubail O&M Company. The Marafiq O&M Agreement expires on the 20th anniversary of the Project’s commercial operation date. The Marafiq O&M Agreement may be extended pursuant to the terms of the Marafiq PWPA due to the occurrence of (i) natural *force majeure* events, such as, among others, lightning, fire, earthquake, flood and other natural disasters as well as (ii) political *force majeure* events, such as, among others, acts of war, change of law and boycotts, provided, however, that the term must not exceed the original expiry date of the Marafiq PWPA by more than two years without the express written consent of the operator.

Under the Marafiq O&M Agreement, Jubail O&M Company is remunerated through both fixed and variable fees. In addition, there are incentive payments to Jubail O&M Company and corresponding liquidated damages payments payable by Jubail O&M Company depending on the availability of the power plant. The liquidated damages that Jubail O&M Company is liable to pay JWAP under the Marafiq O&M Agreement are equal to 30% of the reduction in revenue from capacity payments with respect to water and power availability. There are also incentive payments and liquidated damages with respect to the consumption of natural gas to ensure that Jubail O&M Company shares in some of the upside and downside of the power plant’s fuel efficiency.

Financing Arrangements. For the description of the arrangements for the debt financing of the Marafiq IWPP, see “*Description of Certain Other Financing Arrangements of Project Companies—Marafiq IWPP / JWAP.*”

Shareholders’ Agreement of JWAP. MARAFIQ, PIF (which subsequently transferred its shareholding in JWAP to Water Electricity Holding Company, an investment company wholly owned by PIF), SEC and SGA Marafiq Holdings W.L.L entered into the shareholders’ agreement with respect to JWAP on December 20, 2006. (as amended, the “**JWAP Shareholders’ Agreement**”). Under the terms of this agreement, SAG Marafiq Holdings W.L.L obtained a 60% ownership in JWAP, MARAFIQ obtained a 30% ownership interest, PIF obtained a 5% ownership interest (which was transferred to Water Electricity Holding Company), with SEC obtaining the remaining 5%. As a result, APP indirectly (through AMWEC) has a 33.3% ownership interest in SAG Marafiq Holdings W.L.L, and APP’s indirect ownership interest in JWAP is, therefore, 20%.

Under the JWAP Shareholders’ Agreement, JWAP’s board of directors consists of seven directors, with SGA Marafiq Holdings W.L.L having the right to nominate four board members, MARAFIQ having the right to nominate two board members and SEC and PIF having the right to appoint one board member jointly. The initial chairman of the board of directors must be a director nominated by MARAFIQ. The chairman may not be involved in the day-to-day management of JWAP and may not have a second or casting vote. SAG Marafiq Holdings W.L.L has the right to appoint the executive managing officer of JWAP, who is responsible for the day-to-day management and operations of JWAP.

Approval by 75% of the votes of the shareholders and the approval by at least five members of the board of directors is required for certain major decisions of JWAP, such as (i) any sale, transfer, assignment, pledge or hypothecation of shares, (ii) acquisition of any subsidiary or the disposal or dilution of JWAP’s interest directly or indirectly in any subsidiary, (iii) the appointment of JWAP’s auditor, (iv) conversion of JWAP from a private joint stock company to a public stock joint company, (v) incurrence of any indebtedness in an aggregate amount not exceeding SAR 5 million in any one accounting year other than as provided under the relevant annual budget, (vi) creation or sufferance to exist of any lien on any of the JWAP’s assets (except liens to secure permitted indebtedness), (vii) any sale, transfer or other disposal of any asset (other than in the ordinary course of business), in any single transaction, or series of transactions, in which the net proceeds of such transaction or transactions exceed, in the aggregate, SAR 7.5 million in any one accounting year, unless (a) the net proceeds from such transaction or transactions are (1) reinvested in assets of at least equivalent value, or (2) used to repay any permitted indebtedness secured by such asset or assets or (b) in the ordinary course of business as provided under the relevant annual budget, (viii) providing any guarantee or indemnity, other than in the normal course of JWAP’s business in an aggregate amount not to exceed SAR 5 million in any one accounting year, other than as provided under the relevant annual budget, (ix) any modification, amendment, variation or other change of the powers, remuneration, authority, duties and responsibilities of the executive managing officer as specified in the resolution by the board of directors, (xi) approval of the operating procedures, the accounting procedures or the management procedures; and any modification, amendment, variation of, or other change to, the operating procedures, the accounting procedures or the management procedures, (xii) any material amendment to JWAP’s insurance coverage, (xiii) any change in the working capital of JWAP, (xiv) any decision to amend the approved list of banks as issuers of letters of credit, (xv) any decision to set remuneration for directors and (xvi) the appointments of the executive managing officer, chief financial officer and construction manager.

Furthermore, certain decisions require the unanimous consent of all shareholders and the approval of all the directors, including with respect to (i) any amendment to the by-laws of JWAP, (ii) any change in the authorized share capital of JWAP or issuance of any new share capital, (iii) repurchasing shares other than for their then fair market value, (iv) any material change in the nature of JWAP's business or its subsidiaries' business, (v) any resolution for winding-up of JWAP unless it becomes insolvent, (vi) any JWAP-related merger or acquisition, (vii) making of any loan in excess of SAR 7 million in any one accounting year, (viii) execution of any contract, arrangement or commitment with: (a) SGA Marafiq Holdings W.L.L or its affiliates; or (b) other than in connection with the performance of JWAP's obligations under the Marafiq PWPA, project documents and financing documents or in the ordinary course of business of JWAP, (ix) any change in the number of directors, (x) any resolution to establish additional reserves or carry forward or retain a portion of the profits, (xi) acquisition of any share capital or any loan capital of any entity or the acquisition of the assets of a business other than as otherwise specifically permitted in the JWAP Shareholders' Agreement, (xii) any change in voting procedures for any ordinary or extraordinary meeting of the shareholders, (xiii) the sale, lease, license or other disposal of all or substantially all of JWAP's business, undertakings or assets, whether by a single transaction or series of transactions related or not, (xiv) termination of or material amendment to any project agreement or the Marafiq O&M Agreement, (xv) providing any guarantee or indemnity, other than in the normal course of business, exceeding SAR 7.5 million in any accounting year, (xvi) making any loan other than credit given in the normal course of JWAP's business, (xvii) any change in the powers of the shareholders to nominate directors and (xviii) any resolution to terminate or materially amend any financing document or refinance JWAP's obligations.

The share capital in JWAP can only be increased in accordance with JWAP's articles, by-laws, Regulations for Companies issued under the Royal Decree No. M/6 dated July 20, 1965, as amended from time to time, and the approval of the Minister of Commerce & Industry.

Each of the shareholders in JWAP may be required to contribute capital funds in the form of shareholder loans to JWAP should this be required under the relevant approved budgets of JWAP. If a shareholder commits an event of default (as defined in the JWAP Shareholders' Agreement), including breaching a material term of the JWAP Shareholders' Agreement, the non-defaulting shareholder has the right to purchase all of the defaulting shareholder's shares and subordinated loans but not in the event that MARAFIQ is the defaulting shareholder. In the event that MARAFIQ is the defaulting shareholder, the non-defaulting shareholders will have the right to require MARAFIQ to purchase all of the shares and subordinated loans from the non-defaulting shareholders and their respective affiliates. In the event of a failure of MARAFIQ to make payment for the shares and subordinated loans or a failure by a party to transfer shares and subordinated loans from a defaulting shareholder, such party will be liable to pay the other parties liquidated damages in a sum calculated as 110% of the default purchase price multiplied by the non-defaulting shareholder's percentage interest.

The shareholders have agreed that they will, as far as they are able, cause JWAP and its board of directors to distribute profits to the greatest extent permitted by the Saudi Arabian Companies Regulations and the law subject to forecasted working capital requirements in accordance with the annual budget. A decision to declare an interim dividend requires a majority decision of the board of directors, whereas the decision to declare a final dividend may be declared by the majority decision of the board of directors and approved by shareholders of JWAP.

The JWAP Shareholders' Agreement remains valid until such time as it is terminated (i) upon unanimous agreement of the shareholders or (ii) if, as a result of one or more transfers, all the shares in JWAP are held by only one shareholder or (iii) upon completion and transfer of the Marafiq IWPP to MARAFIQ under the terms of the Marafiq PWPA and if JWAP has been dissolved or (iv) if there is a termination of the sublease agreement in relation to the site of the Marafiq IWPP entered into by Tawreed and JWAP and if JWAP has been dissolved or (v) if JWAP has been dissolved and liquidated.

Consortium Agreement of SGA Marafiq Holdings W.L.L. Each of APP, Gulf Investment Corporation and Suez-Tractebel, S.A. entered into a consortium agreement dated April 23, 2006, which was subsequently amended by the amended and restated consortium agreement entered into by APP, Gulf Investment Corporation and Suez-Tractebel, S.A on December 20, 2006 (the "**Marafiq Consortium Agreement**"). Under the terms of the Consortium Agreement and on registration of SGA Marafiq Holdings W.L.L the shareholding of each of the parties in the consortium would be: (i) APP: 33.33%; (ii) Gulf Investment Corporation (via Power and Water Investments Limited): 33.33%; and (iii) Suez-Tractebel, S.A. (via Kahrabel F.Z.E.): 33.33%. It was the intention of the consortium that a shareholders' agreement would be entered into to govern the relationship of the parties following the incorporation of SGA Marafiq Holdings W.L.L; however, to date no shareholders' agreement has been entered into and the Consortium Agreement continues to regulate the parties' relationship. Each of Suez-Tractebel, S.A. and Kahrabel F.Z.E. is a member of the Engie group.

The management of the consortium is vested in the management committee which consists of three members. Each party has the right to appoint one member. The Marafiq Consortium Agreement provides for provisions that are to be included in the shareholders agreement of SGA Marafiq Holdings W.L.L such as deadlock, quorum, dispute resolution, meeting organization, voting procedure, transfer provisions and pre-emption rights. The Marafiq Consortium Agreement shall only terminate, *inter alia*, on the signature of the shareholders' agreement between the parties relating to the shareholding and the management of JWAP and SGA Marafiq Holdings W.L.L.

Shuqaiq IWPP / SQWEC

Overview

The Shuqaiq IWPP is a project developed on a build, own and operate basis, which is located approximately 140 kilometers north of Jizan in the Kingdom of Saudi Arabia. The Shuqaiq IWPP is the second phase of the Shuqaiq complex that produces water and power for the Assir region and the city of Jizan.

The Shuqaiq IWPP utilizes Arabian heavy crude oil as fuel, which is provided by the offtaker for the project, WEC, under a tolling arrangement. It has an electricity generation capacity of 850 MW, using a steam turbine configuration and a desalinated water output capacity of 212,000 cubic meters per day, using a reverse osmosis desalination process.

The following table sets out certain key characteristics of the Shuqaiq IWPP.

Location	North of Jizan, the Kingdom of Saudi Arabia
Type	IWPP
Commencement of operations	Second quarter of 2011
Project cost (in US\$ millions)	1,831
Power capacity (in MW)	850
Water capacity (in cubic meters per day)	212,000
Term of the PWPA	20 years
Fuel	Arabian heavy crude oil
Technology	Power: Steam turbine configuration; Water: Reverse osmosis desalination process
Operation and maintenance	NOMAC

The following table sets out certain operational metrics of the Shuqaiq IWPP.

POWER	YEAR ENDED DECEMBER 31,		
	2014	2015	2016
Power technical availability	94.8%	96.9%	95.7%
Power forced outage rate	0.7%	1.1%	2.4%
Minimum power availability for triggering termination clauses	67% ⁽¹⁾	67% ⁽¹⁾	67% ⁽¹⁾

Notes:

⁽¹⁾ Unless caused by certain qualifying *force majeure* or risk events, SQWEC will be in default under the terms of the SQWEC PWPA (as defined below) if (i) the average availability of the plant is less than 67% of the net dependable power capacity for any rolling period of 730 days or more or (ii) there are two consecutive days of willful / unexcused failure to operate or make available any plant unit which has achieved its commercial operation date.

WATER	YEAR ENDED DECEMBER 31,		
	2014	2015	2016
Water technical availability	96.2%	97.5%	99.4%
Water forced outage rate	2.8%	1.7%	0.0%
Minimum water availability for triggering termination clauses	67% ⁽¹⁾	67% ⁽¹⁾	67% ⁽¹⁾

Notes:

⁽¹⁾ Unless caused by certain qualifying *force majeure* or risk events, SQWEC will be in default under the terms of the SQWEC PWPA (as defined below) if (i) the average availability of the plant is less than 67% of the net dependable water capacity for any rolling period of 730 days or more or (ii) there are two consecutive days of willful / unexcused failure to operate or make available any plant unit which has achieved its commercial operation date.

Shareholding Structure

ACWA Power has an indirect shareholding in SQWEC, the Project Company that owns the Shuqaiq IWPP. ACWA Power’s indirect shareholding in SQWEC is held through an indirect shareholding in Shuqaiq International Water and Electricity Company (a joint venture with Gulf Investment Corporation) which, in turn, has a 60% ownership interest in SQWEC.

The following table sets out the shareholding interests in SQWEC.

<u>ENTITY</u>	<u>PERCENTAGE INTEREST</u>
	(%)
Shuqaiq International Water and Electricity Company	60
PIF ⁽ⁱ¹⁾	32
SEC	8
Total	<u>100</u>

Note:

⁽¹⁾ Water Electricity Holding Company, a wholly owned subsidiary of the PIF, is the actual owner of the shares.

For a description of the shareholders’ agreement entered into by the shareholders of SQWEC, see “—Key Contractual Agreements—Shareholders’ Agreement of SQWEC” below.

The following table sets out the shareholding interests in Shuqaiq International Water and Electricity Company.

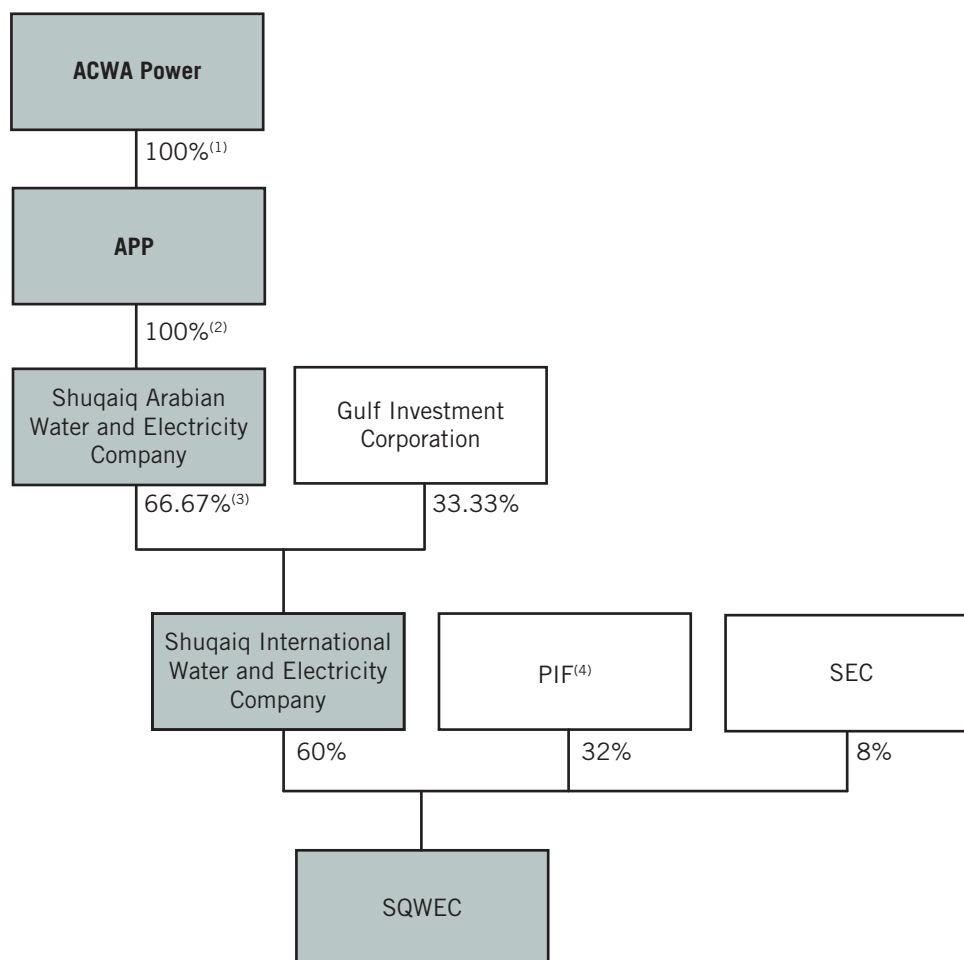
<u>ENTITY</u>	<u>PERCENTAGE INTEREST</u>
	(%)
Shuqaiq Arabian Water and Electricity Company	66.67 ⁽¹⁾
Gulf Investment Corporation	33.33
Total	<u>100</u>

Note:

⁽¹⁾ ACWA Power has entered into an agreement with Apicorp, under which Apicorp agreed to acquire 13.3% of the shares of Shuqaiq International Water and Electricity Company. The 13.3% stake in Shuqaiq International Water and Electricity Company gives Apicorp an 8% effective ownership stake in SQWEC. The closing of this transaction is subject to customary approvals and is expected to occur in the second quarter of 2017.

For a description of the shareholders’ agreement entered into by the shareholders of Shuqaiq International Water and Electricity Company, see “—Key Contractual Agreements—Shareholders’ Agreement of Shuqaiq Arabian Water and Electricity Company” below.

The following chart shows ACWA Power’s and APP’s indirect shareholding in SQWEC. Shaded entities in the chart are ACWA Power and its affiliates:



Notes:

- (1) ACWA Power owns 98.15% of the shares of APP directly and the remaining 1.85% indirectly.
- (2) APP owns 95% of the shares of Shuqaiq Arabian Water and Electricity Company directly and ACWA Power owns the remaining 5% indirectly.
- (3) ACWA Power has entered into an agreement with Apicorp, under which Apicorp agreed to acquire 13.3% of the shares of Shuqaiq International Water and Electricity Company. The 13.3% stake in Shuqaiq International Water and Electricity Company gives Apicorp an 8% effective ownership stake in SQWEC. The closing of this transaction is subject to customary approvals and is expected to occur in the second quarter of 2017.
- (4) Water Electricity Holding Company, a wholly owned subsidiary of the PIF, is the actual owner of the shares.

Insurance

The following table sets out the summaries of the various insurance policies obtained by SQWEC.

TYPE OF POLICY/COVER	INSURER	NATURE OF COVERAGE	LIMIT OF LIABILITY
Property damage and business interruption	Tawuniya and Medgulf	“All risks” property damage, machinery breakdown and business interruption cover policy and schedule	US\$750,000,000 combined for property damage and business interruption for each event
Terrorism and sabotage	Tawuniya	Terrorism insurance and business interruption	US\$270,000,000 for any one occurrence and annual aggregate
Public liability	Tawuniya	Third-party liability, product liability and pollution liability	US\$50,000,000 for each and every occurrence US\$50,000,000 in the aggregate for product liability per policy period

Key Contractual Agreements

Power and Water Purchase Agreement. WEC is the sole purchaser of 100% of the electricity generated and desalinated water produced at the Shuqaiq IWPP as well as of its power and water capacity pursuant to the power and water purchase agreement (the “**SQWEC PWPA**”) entered into between SQWEC and WEC on February 28, 2007, as amended.

Under the SQWEC PWPA, WEC is required to pay to SQWEC, on a monthly basis, (i) power and water capacity payments (which are broadly structured to compensate SQWEC for its capital costs of developing the project during the term of the SQWEC PWPA, the fixed operation and maintenance costs and taxes, as well as to provide SQWEC with investment returns on its investment in the SQWEC IWPP), and (ii) electricity and water payments structured to compensate SQWEC for its variable costs. SQWEC incurs deductions from WEC’s power or water capacity payments if the plant, or a part of it, suffers any reduction in its power capacity or water capacity, respectively, or is not capable of operation because of any adverse condition from which SQWEC is not otherwise protected or relieved under the SQWEC PWPA. SQWEC will be in default under the terms of the SQWEC PWPA in case the availability of the power plant is less than 67% of either the then net-dependable power capacity or net-dependable water capacity (i.e., the net power capacity or net water capacity of the plant made available to the WEC as measured at specified measurement levels during initial and periodic tests performed in accordance with the SQWEC PWPA) for any rolling period of 730 days or more.

SQWEC is protected against decreases in power capacity or water capacity payments to the extent that the availability of the plant is adversely affected by (i) natural *force majeure* events, such as, among others, lightning, fire, earthquake, flood and other natural disasters or (ii) political *force majeure* events, such as, among others, acts of war, change of law and boycotts. The electricity and water output payments depend on the volume of electricity and water dispatched and delivered to WEC. The PWPA payments are indexed to Saudi Arabian and U.S. inflation indices on an annual basis and protected from currency movements against the U.S. dollar.

The payment obligations of WEC under the PWPA are guaranteed by the Ministry of Finance of the Kingdom of Saudi Arabia.

Under the SQWEC PWPA, WEC has the responsibility to deliver to SQWEC the required quantities of fuel (subject to a maximum cap). There is, therefore, no separate fuel supply agreement relating to this Project.

Operation and Maintenance Agreement. SQWEC appointed NOMAC as a contractor to provide operation and maintenance services to the Shuqaiq IWPP under the operation and maintenance agreement dated February 28, 2007, as amended on September 5, 2012 (the “**SQWEC O&M Agreement**”). The SQWEC O&M Agreement expires on the 20th anniversary of the commercial operation date of the Project, provided that if the SQWEC PWPA term is extended, then SQWEC has the right to correspondingly extend the term of the SQWEC O&M Agreement.

Under the SQWEC O&M Agreement, NOMAC is required to pay SQWEC liquidated damages in case of adverse developments with respect to the availability of the plant. Such liquidated damages range between 33% and 66% of the corresponding reduction in revenue under the SQWEC PWPA, although there is an annual cap, except with respect to fraud, willful default or gross negligence, of 25% of the fixed payment payable to NOMAC as the operation and maintenance contractor. There are also incentive payments and liquidated damages with respect to the consumption of fuel to ensure that NOMAC shares in some of the upside and downside of the plant’s fuel efficiency.

Financing Arrangements. For the description of the arrangements for the debt financing of the Shuqaiq IWPP, see “*Description of Certain Other Financing Arrangements of Project Companies—Shuqaiq IWPP / SQWEC.*”

Shareholders’ Agreement of SQWEC. Each of SQWEC, Shuqaiq International Water and Electricity Company, PIF and SEC entered into a shareholders’ agreement in relation to SQWEC on February 26, 2007 (the “**SQWEC Shareholders’ Agreement**”). ACWA Power owns an indirect 66.67% interest in Shuqaiq International Water and Electricity Company. Shuqaiq International Water and Electricity Company owns a 60% shareholding interest in SQWEC, thereby giving ACWA Power an indirect 40% shareholding interest in SQWEC. The remaining 40% shareholding interest in SQWEC is held 32% by PIF (which ownership interest was transferred to Water Electricity Holding Company) and 8% by SEC.

Under the SQWEC Shareholders’ Agreement, SQWEC’s board of directors consists of seven members, with each shareholder having the right to nominate a board member for every multiple of 15% of SQWEC’s issued share capital that such shareholder holds, provided that, for so long as SEC holds at least 8% of SQWEC’s issued share capital, it will be entitled to nominate at least one board member. Shuqaiq International Water and Electricity Company has the right to nominate the executive managing officer of SQWEC, who will be responsible for the day-to-day management and operations of SQWEC.

Consent of all members of the board of directors is required for certain major actions of SQWEC, such as entering into joint venture or partnership arrangements, sale of substantially all of its assets, investments in other companies and making of any loan in excess of a certain threshold in the aggregate in any 12-month period (other than as provided in the relevant annual budget). Furthermore, certain decisions are specifically reserved for the shareholders of SQWEC (including with respect to (i) any amendment of the constitutive documents, (ii) any change in the authorized share capital of SQWEC or issuance of any new share capital, (iii) any call for shareholders' contribution by way of debt, (iv) any material change in the nature of SQWEC's business, (v) any resolution for winding-up of SQWEC unless it becomes insolvent, (vi) any SQWEC-related merger or acquisition, (vii) approval or amendment of the annual budget or long-term budget, (viii) appointment or removal of the auditors, (ix) any change in the powers, authority, duties and responsibilities of the executive managing officer of SQWEC and (x) any resolution to establish additional reserves or carry forward or retain a portion of the profits).

The share capital in SQWEC can only be increased in accordance with SQWEC's memorandum of association and by-laws and following the unanimous approval of the shareholders. A transfer of SQWEC's shares is subject to the terms of the SQWEC Shareholders' Agreement and will require the prior written consent of the other shareholders, unless such transfer falls within the limited number of permitted transfers by PIF, SEC or Shuqaiq International Water and Electricity Company.

If a shareholder commits a breach of any of its material obligations under the SQWEC Shareholders' Agreement and does not remedy such breach within the specified period of time after receiving notice of such breach or upon the occurrence of another event of default applicable to such shareholder, the non-defaulting shareholders have the right to purchase all of the defaulting shareholder's shares or require the defaulting shareholder to buy all of the shares held by the non-defaulting shareholders.

The shareholders have agreed that SQWEC's dividend policy must seek to maximize shareholder returns through the distribution of the full amount of SQWEC's profits available for distribution after making such transfers to reserves and provisions as are set out in the SQWEC Shareholders' Agreement or ought to reasonably be made in the opinion of SQWEC's board of directors. Under the SQWEC Shareholders' Agreement, 4% of the annual net profits must be set aside as a statutory reserve until the accumulated reserve equals 20% of the share capital of SQWEC.

The SQWEC Shareholders' Agreement remains valid until such time as it is terminated either (i) upon unanimous agreement of the parties, (ii) if, as a result of a transfer, all the shares in SQWEC are held by only one shareholder, (iii) with respect to any shareholder, if it no longer holds any shares in SQWEC as a result of a transfer permitted under the SQWEC Shareholders' Agreement or (iv) upon the expiration of the term of SQWEC in accordance with its memorandum of association and by-laws.

Shareholders' Agreement of Shuqaiq International Water and Electricity Company. Each of Shuqaiq Arabian Water and Electricity Company, Mitsubishi Corporation and Gulf Investment Corporation entered into a shareholders' agreement with respect to Shuqaiq International Water and Electricity Company on February 28, 2006 (the "**SIWEC Shareholders' Agreement**"). Under the terms of the SIWEC Shareholders' Agreement, the initial shareholders of Shuqaiq International Water and Electricity Company were Shuqaiq Arabian Water and Electricity Company (56.67%), Gulf Investment Corporation (33.33%) and Mitsubishi Corporation (10%). Mitsubishi Corporation subsequently transferred its 10% stake in Shuqaiq International Water and Electricity Company to Shuqaiq Arabian Water and Electricity Company.

Shuqaiq International Water and Electricity Company's board of managers consists of four managers. Each shareholder has the right to appoint one manager for each 15% of the issued share capital such shareholder holds. Shuqaiq Arabian Water and Electricity Company is entitled to appoint the chairman of the board of managers for so long as it is the single largest shareholder in Shuqaiq International Water and Electricity Company. In addition, provided that Shuqaiq Arabian Water and Electricity Company holds more than a 35% interest in Shuqaiq International Water and Electricity Company, it shall be exclusively entitled to appoint the executive manager of Shuqaiq International Water and Electricity Company. Gulf Investment Corporation is entitled to nominate the SQWEC finance manager so long as it holds at least a 30% shareholding interest in Shuqaiq International Water and Electricity Company.

In accordance with the SIWEC Shareholders' Agreement, the shareholders of Shuqaiq International Water and Electricity Company are entitled to appoint a representative to attend and vote at SQWEC's shareholders' meetings. Any resolution proposed by the SQWEC board of directors to be passed by circular resolution will require a board meeting of Shuqaiq International Water and Electricity Company to be convened prior to signing. Similarly, any resolution proposed by the SQWEC shareholders to be passed by circular resolution will require a meeting of the board of directors of Shuqaiq International Water and Electricity Company to be convened prior to signing.

The SIWEC Shareholders' Agreement contains a list of specified reserved decisions of the board of directors (such as offering shares in Shuqaiq International Water and Electricity Company to the public, merger of Shuqaiq International Water and Electricity Company with another entity or sale of substantially all of Shuqaiq International Water and Electricity Company's assets). Furthermore, certain decisions are specifically reserved for the shareholders of Shuqaiq International Water and Electricity Company (including, (i) amendment of the articles of Shuqaiq International Water and Electricity Company, (ii) any call for shareholder contributions by way of debt, (iii) any material change in the nature of Shuqaiq International Water and Electricity Company's business, (iv) any resolution winding-up or dissolving Shuqaiq International Water and Electricity Company, unless insolvent, or for the sale or disposition of all or substantially all of the assets of Shuqaiq International Water and Electricity Company, (v) any Shuqaiq International Water and Electricity Company-related merger or investment in other companies, (vi) approval or amendment of the annual budget or long-term budget of Shuqaiq International Water and Electricity Company, (vii) appointment or removal of the auditors, (viii) declaring, adopting or altering any dividend or other distribution policy, (ix) any change in the power, authority, duties or responsibilities of the chairman of the board of directors, (x) any amendment to the SIWEC Shareholders' Agreement and (xi) any resolution in respect of a board-reserved decision under the SIWEC Shareholders' Agreement).

The SIWEC Shareholders' Agreement states that Shuqaiq International Water and Electricity Company's dividend policy must seek to maximize shareholder returns through the distribution of the full amount of Shuqaiq International Water and Electricity Company's profits available for distribution after making repayments of shareholder loans and any transfers to reserves or provisions which, in the opinion of the board of managers of Shuqaiq International Water and Electricity Company, ought to reasonably be made.

The share capital of Shuqaiq International Water and Electricity Company can only be increased in accordance with Shuqaiq International Water and Electricity Company's articles of association and following the unanimous approval of the shareholders.

The shareholders are prohibited from selling, transferring, assigning, encumbering or otherwise disposing of their respective shareholdings in Shuqaiq International Water and Electricity Company, except to one another (subject to the transfer restrictions under the SIWEC Shareholders' Agreement), to a third party (subject to the terms of the SIWEC Shareholders' Agreement), or pursuant to an initial public offering (subject to compliance with applicable law, transfer restrictions under the SIWEC Shareholders' Agreement and the prior written approval of the PIF, SEC and the financing parties). If a shareholder commits a breach of any of its material obligations under the SIWEC Shareholders' Agreement and does not remedy such breach within the specified period of time after receiving notice of such breach or upon the occurrence of another event of default applicable to such shareholder, the non-defaulting shareholders have the right to purchase all of the defaulting shareholder's shares or require the defaulting shareholder to buy all the shares held by the non-defaulting shareholders.

The SIWEC Shareholders' Agreement will remain valid until such time that it is terminated (i) upon mutual written consent of the shareholders or (ii) upon the grant of a court order for the winding-up of Shuqaiq International Water and Electricity Company or if Shuqaiq International Water and Electricity Company ceases to be in existence or (iii) upon Shuqaiq International Water and Electricity Company being listed on the Saudi Arabian securities exchange in accordance with applicable law or (iv) upon termination of the SIWEC Shareholders' Agreement due to an event of default (as defined under the SIWEC Shareholders' Agreement) by a defaulting shareholder.

Rabigh IPP / RABEC

Overview

The Rabigh IPP is a project developed on a build, own and operate basis, which is located in Rabigh on the western coast of the Kingdom of Saudi Arabia. The Rabigh IPP was the first IPP to be developed in the Kingdom of Saudi Arabia with SEC acting as the offtaker. This was also the first project without the Minister of Finance of the Kingdom of Saudi Arabia having to provide a guarantee to the lenders in order to guarantee the contractual obligations of SEC.

The Rabigh IPP is an oil-fired conventional power plant which uses heavy fuel oil sourced by SEC from Saudi Aramco. It has a power generation capacity of 1,204 MW and uses a steam turbine configuration.

Certain boiler equipment at the RABEC IPP has experienced a number of serious corrosion issues. To address them, an EPC Contract to carry out ESP and FGD (fuel gas desulphurization) modifications has been executed on June 22, 2016 and notice to proceed (NTP) was issued on August 28, 2016. Work is expected to complete in 21 months from the date of the notice to proceed. These modifications are expected to mitigate the corrosion issues.

The following table sets out certain key characteristics of the Rabigh IPP.

Location	Western coast of the Kingdom of Saudi Arabia
Type	IPP
Commencement of operations	Second quarter of 2013
Project cost (in US\$ millions)	2,506
Power capacity (in MW)	1,204
Term of the PPA	20 years
Fuel	Heavy fuel oil
Technology	Steam turbine configuration
Operation and maintenance	Rabigh Operation and Maintenance Company, a joint venture between NOMAC and KOWEPO

The following table sets out certain operational metrics of the Rabigh IPP.

POWER	YEAR ENDED DECEMBER 31,		
	2014	2015	2016
Power technical availability	94.0%	92.8%	87.0%
Power forced outage rate	4.7%	5.8% ⁽¹⁾	7.4% ⁽¹⁾
Minimum power availability for triggering termination clauses	67% ⁽²⁾	67% ⁽²⁾	67% ⁽²⁾

Notes:

⁽¹⁾ The power forced outage rate was adversely affected by a boiler failure in 2015 which continued in 2016.

⁽²⁾ Unless caused by certain qualifying *force majeure* or risk events, RABEC will be in default under the terms of the Rabigh PPA if (i) the average availability of the power plant is less than 67% of the then net-dependable capacity for any rolling period of 730 days or more or (ii) there are two consecutive days of willful / unexcused failure to operate or make available any plant unit which has achieved its commercial operation date.

Shareholding Structure

ACWA Power has an indirect shareholding in Rabigh Electricity Company (“**RABEC**”), the Project Company that owns the Rabigh IPP. ACWA Power’s indirect shareholding in RABEC is held through an indirect shareholding in Rabigh Project Company Limited (“**Rabigh Project Company**”), which, in turn, has a 40% shareholding in RABEC. The shareholders’ agreement entered into by the shareholders of RABEC is discussed in “—Key Contractual Agreements—Shareholders’ Agreement of RABEC” below.

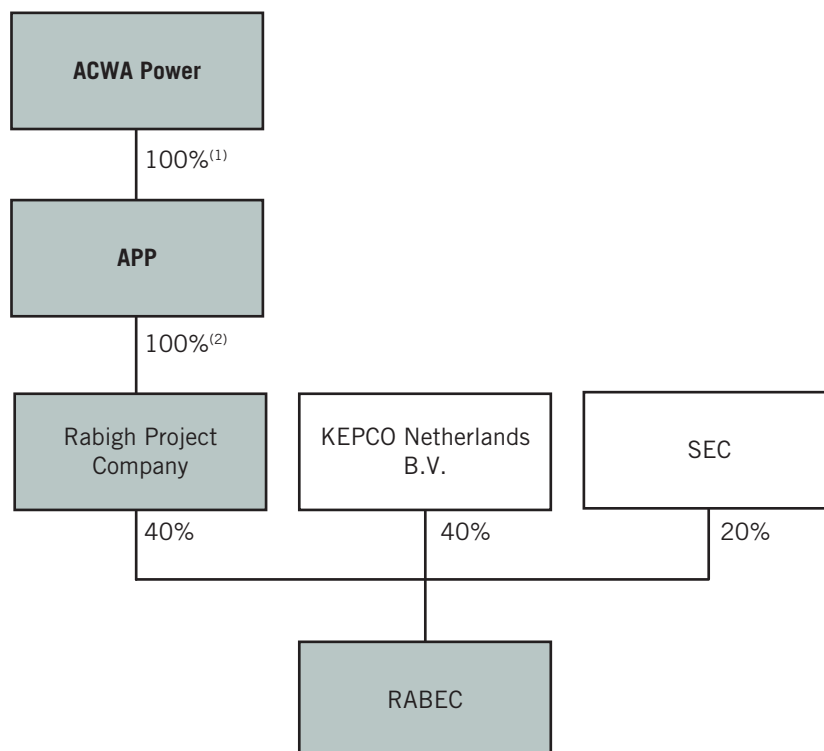
The following table sets out the shareholding interests in RABEC.

ENTITY	PERCENTAGE INTEREST
	(%)
Rabigh Project Company	40
KEPCO Netherlands B.V.	40
SEC	20
Total	100

The following table sets out the shareholding interests in Rabigh Project Company.

ENTITY	PERCENTAGE INTEREST
	(%)
APP	95
Projects Acquisition Company	5
Total	100

The following chart shows ACWA Power’s and APP’s indirect shareholdings in RABEC. Shaded entities in the chart are ACWA Power and its affiliates.



Notes:

⁽¹⁾ ACWA Power owns 98.15% of the shares of APP directly and the remaining 1.85% indirectly.

⁽²⁾ APP owns 95% of the shares of Rabigh Project Company directly, and ACWA Power owns the remaining 5% indirectly.

Insurance

The following table sets out the summaries of the various insurance policies obtained by RABEC.

TYPE OF POLICY/COVER	INSURER	NATURE OF COVERAGE	LIMIT OF LIABILITY
Property damage and business interruption	Tawuniya and Medgulf	“All risks” property damage, machinery breakdown and business interruption cover policy and schedule	US\$750,000,000 combined for property damage and business interruption for each event
Terrorism and sabotage	Tawuniya	Terrorism	US\$356,000,000 in the aggregate
Public liability	Tawuniya	Third-party liability, product liability and pollution liability	US\$50,000,000 for each and every occurrence US\$50,000,000 in the aggregate for product liability per policy period

Key Contractual Agreements

Power Purchase Agreement. SEC is the sole purchaser of 100% of both electricity and capacity from the Rabigh IPP pursuant to the power purchase agreement (the “**Rabigh PPA**”) entered into between RABEC and SEC on July 11, 2009. The term of the Rabigh PPA is 20 years from the Project’s commercial operation date, which occurred on April 10, 2013.

Under the Rabigh PPA, SEC is required to pay RABEC, on a monthly basis, (i) capacity payments (which are broadly structured to compensate RABEC for its capital costs of developing the project during the term of the Rabigh PPA, the fixed operation and maintenance costs and taxes, as well as to provide RABEC with investment returns on its investment in the Rabigh IPP) and (ii) electricity payments (to compensate RABEC for its variable costs). RABEC incurs deductions from SEC’s capacity payments if the power plant, or a part of it, suffers any reduction in its capacity or is not capable of operation because of any adverse condition from which RABEC is not otherwise protected or relieved under the Rabigh PPA. RABEC will be in default under the terms of the Rabigh PPA in case the

availability of the power plant is less than 67% of the then net-dependable capacity for any rolling period of 730 days or more. In line with SEC's previous independent power projects, there is no explicit government or other external credit support provided for SEC's payment obligations under the Rabigh PPA. However, SEC is required to procure credit support (either from an entity with a certain credit rating (a long-term rating of at least A-/A3, as applicable, from at least one of Standard & Poor's, Fitch or Moody's) or from the Saudi Arabian government) with respect to its payment obligations under the Rabigh PPA if its credit rating is downgraded below a certain level (i.e., if the SEC does not maintain a long-term credit rating of at least BBB/Baa2, as applicable, from at least one of Standard & Poor's, Fitch or Moody's for a period of six months).

RABEC is protected against decreases in capacity payments to the extent that the availability of the plant is adversely affected by (i) natural *force majeure* events, such as, among others, lightning, fire, earthquake, flood, and other natural disasters or accident, explosion or chemical contamination or seawater contamination or (ii) political *force majeure* events, such as, among others, acts of war, change of law and boycotts. The electricity output payments depend on the volume of electricity dispatched and delivered to SEC. The Rabigh PPA payments are indexed to Saudi Arabian and U.S. inflation indices annually and protected from currency movements against the U.S. dollar.

Under the Rabigh PPA, SEC has the responsibility to deliver to RABEC the required quantities of fuel (subject to a maximum cap). There is, therefore, no separate fuel supply agreement relating to this project. However, if the plant consumes more fuel than is estimated under the Rabigh PPA, RABEC will have to reimburse SEC a part of the electricity payment. Similarly, if the plant consumes less fuel, RABEC is entitled to receive incentive payments from SEC.

EPC Contract. RABEC entered into an EPC agreement (construction contract, supply contract and bridging agreement, dated July 9, 2009) with SEPCOIII Electric Power Construction Corporation ("**SEPCOIII**") and Dongfeng Electric Corporation Limited ("**Dongfeng**"). Under this agreement, SEPCOIII and Dongfeng were required to carry out the engineering, procurement and construction of the Rabigh IPP on a turnkey basis.

SEPCOIII and Dongfeng delivered an on-demand performance bond in their joint capacity as the EPC contractor to RABEC prior to the issue of the notice to proceed (i.e., instruction from RABEC to the EPC contractor to commence the construction of the power plant). 24 months following the provisional acceptance date (April 10, 2013), the performance bond was reduced to a certain percentage of the aggregate contract price of the value of any repaired or replaced works remaining under warranty, as determined by RABEC. The EPC agreement allows for the warranty period to run for no more than four years from the Project's commercial operation date.

Operation and Maintenance Agreement. RABEC appointed Rabigh Operation and Maintenance Company as operator to provide operation and maintenance services with respect to the power plant pursuant to the operation and maintenance agreement dated July 11, 2009 (the "**Rabigh O&M Agreement**"). NOMAC has a 60% ownership interest in Rabigh Operation and Maintenance Company, with the remaining 40% owned by Korea Western Power Co., Ltd. ("**KOWEPO**"). The Rabigh O&M Agreement expires on the 20th anniversary of the Project's commercial operation date, provided that, if the Rabigh PPA term is extended, then RABEC has the right to correspondingly extend the term of the Rabigh O&M Agreement.

Under the Rabigh O&M Agreement, Rabigh Operation and Maintenance Company is remunerated through both fixed and variable fees. In addition, there are incentive payments to Rabigh Operation and Maintenance Company and corresponding liquidated damages payments payable by Rabigh Operation and Maintenance Company depending on the availability of the power plant. The liquidated damages are 66% of revenue with a step up mechanism. Although there is an annual cap, except with respect to fraud, willful default or gross negligence, of 25% of the fixed payment payable to Rabigh Operation and Maintenance Company as the operation and maintenance contractor. There are also incentive payments and liquidated damages with respect to the consumption of fuel to ensure that Rabigh Operation and Maintenance Company shares in some of the upside and downside of the plant's fuel efficiency.

Financing Arrangements. For the description of the arrangements for the debt financing of the Rabigh IPP, see "*Description of Certain Other Financing Arrangements of Project Companies—Rabigh IPP / RABEC.*"

Shareholders' Agreement of RABEC. Each of SEC, KEPCO Netherlands B.V. and Rabigh Project Company entered into a shareholders' agreement with respect to RABEC on July 18, 2009. This agreement was subsequently amended on August 11, 2009 (as amended, the "**RABEC Shareholders' Agreement**"). Under the terms of this agreement, KEPCO Netherlands B.V. and Rabigh Project Company (collectively, the "**Rabigh Developer Shareholders**") have an 80% ownership interest in RABEC, with SEC owning the remaining 20%.

Under the RABEC Shareholders' Agreement, RABEC's board of directors consists of five members, with each shareholder having the right to nominate a board member for every multiple of 20% of RABEC's issued share capital

that such shareholder holds, provided that, for so long as SEC holds at least 5% of RABEC's issued share capital, it will be entitled to nominate at least one board member. The chairman of the board of directors is to be appointed by the board of directors and shall not have a second or casting vote and shall not be involved in the day-to-day management of RABEC. The Rabigh Developer Shareholders have the right to nominate the executive managing officer of RABEC, and the board of directors must appoint the executive managing officer of RABEC, who will be responsible for the day-to-day management and operations of RABEC.

Consent of all members of the board of directors is required for certain major actions of RABEC, such as entering into joint venture or partnership arrangements, sale of substantially all of its assets, investments in other companies and making of any loan in excess of a certain threshold. Furthermore, certain decisions are specifically reserved for the shareholders of RABEC (including with respect to (i) any amendment of the constitutive documents, (ii) any change in the authorized share capital of RABEC or issuance of any new share capital, (iii) any call for shareholders' contributions by way of debt, (iv) any material change in the nature of RABEC's business, (v) any resolution for winding-up of RABEC unless it becomes insolvent, (vi) any RABEC-related merger or acquisition, (vii) approval or amendment of the annual budget or long-term budget, (viii) appointment or removal of the auditors, (ix) any change in the powers, authority duties and responsibilities of the executive managing officer of RABEC and (x) any resolution to establish additional reserves or carry forward or retain a portion of the profits).

The share capital in RABEC can only be increased in accordance with RABEC's memorandum of association and by-laws and following the unanimous approval of the shareholders. A transfer of RABEC's shares is subject to the terms of the RABEC Shareholders' Agreement and will require the prior written consent of the other shareholders, unless such transfer falls within the permitted transfers by SEC and the Rabigh Developer Shareholders.

If a shareholder commits a breach of any of its material obligations under the RABEC Shareholders' Agreement and does not remedy such breach within the specified period of time after receiving notice of such breach or upon the occurrence of another event of default applicable to such shareholder, the non-defaulting shareholder has the right to purchase all of the defaulting shareholder's shares or require the defaulting party to buy all the shares of the non-defaulting shareholder.

The shareholders have agreed that RABEC's dividend policy must seek to maximize shareholder returns through the distribution of the full amount of RABEC's profits available (subject to any restrictions under any applicable law) for distribution after making such transfers to reserves and provisions as are set in the RABEC Shareholders' Agreement or ought to reasonably be made in the opinion of RABEC's board of directors. Under the RABEC Shareholders' Agreement, 10% of net profits must be set aside as a statutory reserve until the accumulated reserve equals 50% of the share capital of RABEC.

The RABEC Shareholders' Agreement remains valid until such time as it is terminated (i) upon unanimous agreement of all shareholders or (ii) if, as a result of a transfer, all the shares in RABEC are held by only one shareholder or (iii) with respect to any shareholder, if it no longer holds any shares as a result of a transfer of shares in RABEC or (iv) upon the expiration of the term of RABEC in accordance with its memorandum of association and by-laws.

Qurayyah IPP / HEPCO

Overview

The Qurayyah IPP is a project developed on a build, own and operate basis, which is located in Qurayyah on the eastern coast of the Kingdom of Saudi Arabia. The power plant, which uses natural gas as primary fuel and diesel as back-up fuel, is designed to have a power generation capacity of 3,927 MW using a combined cycle configuration. A combined-cycle power plant uses both a gas and a steam turbine together to produce significantly more electricity from the same fuel than a traditional simple-cycle plant. The exhaust heat from the gas turbine is captured by a heat recovery steam generator, which creates steam from such gas turbine exhaust heat and delivers it to the steam turbine. The steam turbine sends its energy to the generator drive shaft, where it is converted into additional electricity. The Qurayyah power plant consists of six identical groups of equipment (blocks) provided by Siemens, each with a net output of 654.5 MW. Each block has a two plus two plus one configuration consisting of two SGT6-5000F gas combustion turbines, two heat recovery steam generators and one SST6-4000 steam turbine.

Under the Qurayyah PPA, the plant was scheduled to achieve the Project's commercial operation date on June 30, 2014. However, in November 2013, heavy rains and torrential storms caused a deluge and damaged construction areas, and instrumentation and control equipment. Damaged equipment for block six had to be reordered, and it took several months for such equipment to be delivered.

In March and April 2015, the site of the Qurayyah IPP was affected by severe sandstorms. Investigations revealed that 11 out of 12 gas turbine units were damaged, requiring replacement of blades, vanes, ring segment and transitions. Air filters have been properly installed and all gas turbines went back to full operations from December 2015, except for one gas turbine in block six that was restored in the first quarter of 2016.

Because of delays in construction, HEPCO requested SEC to grant an extension to the time of completion, which was not granted by SEC. HEPCO issued a notice of dispute on April 26, 2015 under the dispute resolution procedure of the Qurayyah PPA. SEC acknowledged the notice of dispute and, in return, SEC issued a notice of dispute on May 7, 2015. Both SEC and HEPCO remain in discussions with respect to this dispute.

Liquidated damages were imposed by SEC on HEPCO and, in turn, claimed by HEPCO from the EPC contractor under the Qurayyah PPA and the EPC construction contract, respectively, because of delay in achieving the Project's commercial operation date.

The following table sets out certain key characteristics of the Qurayyah IPP.

Location	Eastern coast of the Kingdom of Saudi Arabia
Type	IPP
Expected date when the dispute with SEC over Project's commercial operation date is resolved	First quarter of 2017 ⁽¹⁾
Project cost (in US\$ millions)	2,717
Power capacity (in MW)	3,927
Term of the PPA	20 years
Fuel	Natural gas as primary fuel and diesel as back-up fuel
Technology	Combined cycle (gas and steam) configuration
Operation and maintenance	NOMAC

Note:

⁽¹⁾ HEPCO's scheduled Project's commercial operation date of June 30, 2014 was delayed. HEPCO requested SEC (the offtaker) to grant an extension to the time of completion, which was not granted by SEC. HEPCO issued a notice of dispute on April 26, 2015 under the dispute resolution procedure of the Qurayyah PPA. SEC acknowledged the notice of dispute and, in return, SEC issued a notice of dispute on May 7, 2015. Both SEC and HEPCO remain in discussions with respect to this dispute. See "Description of the Projects and NOMAC's Operations—Legal Proceedings and Disputes."

The following table sets out certain operational metrics of the Qurayyah IPP.

	YEAR ENDED DECEMBER 31,		
	2014	2015 ⁽¹⁾	2016
Power technical availability	n/a	75.6%	87.4%
Power forced outage rate	n/a	24.0%	10.2%
Minimum power availability for triggering termination clauses	n/a	75% ⁽²⁾	75% ⁽²⁾

Notes:

⁽¹⁾ Covers the period from March 16, 2015 (the date when HEPCO declared the Qurayyah IPP's commercial operation date) through December 31, 2015.

⁽²⁾ Unless caused by certain qualifying *force majeure* or risk events, HEPCO will be in default under the terms of the Qurayyah PPA if (i) the average availability of the power plant is less than 75% of the then net-dependable capacity for any rolling period of 730 days or more or (ii) there are two consecutive days of willful / unexcused failure to operate or make available any plant unit which has achieved its commercial operation date.

Shareholding Structure

ACWA Power has an indirect shareholding in HEPCO, the Project Company that owns the Qurayyah IPP. ACWA Power's indirect shareholding in HEPCO is held through an indirect shareholding in Qurayyah Investment Company LLC ("**Qurayyah Investment Company**"), a joint venture with Samsung C&T Corporation and Qurayyah IPP HoldCo Limited which, in turn, has a 50% shareholding in HEPCO. The Shareholders' Agreement entered into by the shareholders of HEPCO is discussed in "*—Key Contractual Agreements—Shareholders' Agreement of HEPCO*" below.

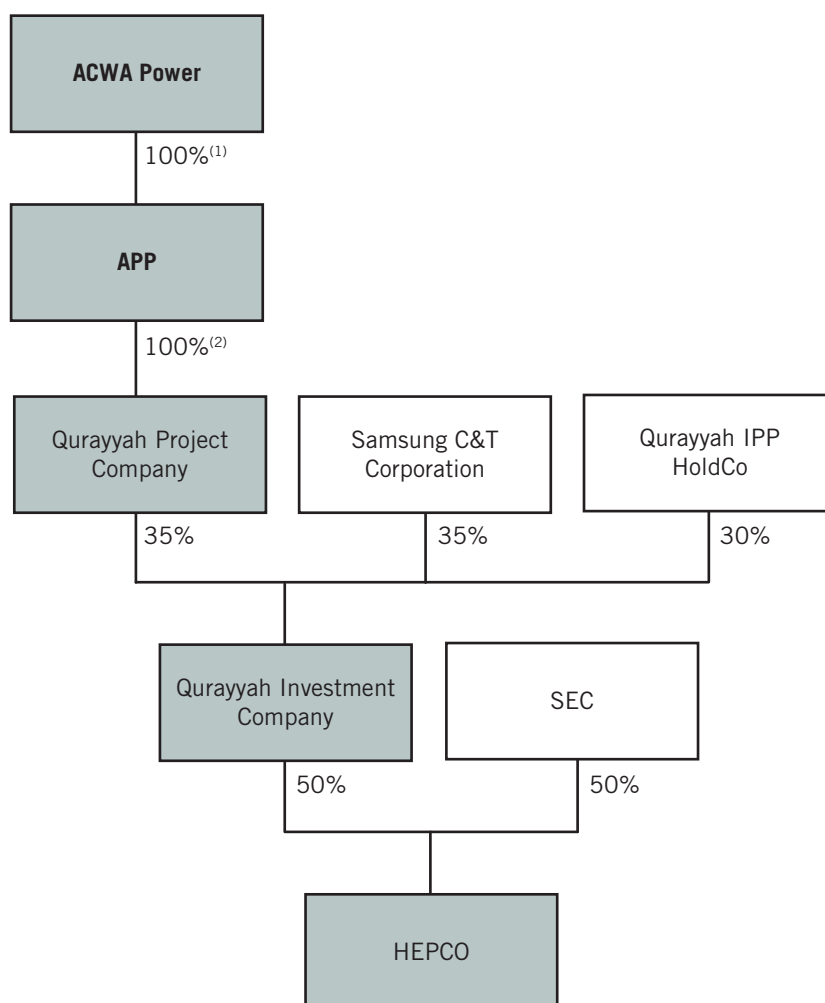
The following table sets out the shareholding interests in HEPCO.

ENTITY	PERCENTAGE INTEREST
	(%)
Qurayyah Investment Company	50
SEC	50
Total	100

The following table sets out the shareholding interests in Qurayyah Investment Company. The Shareholders' Agreement entered into by the shareholders of Qurayyah Investment Company is discussed in “—Key Contractual Agreements—Shareholders' Agreement of Qurayyah Investment Company” below.

<u>ENTITY</u>	<u>PERCENTAGE INTEREST</u>
	(%)
Qurayyah Project Company LLC (“ Qurayyah Project Company ”)	35
Samsung C&T Corporation	35
Qurayyah IPP HoldCo Limited (“ Qurayyah IPP HoldCo ”)	30
Total	<u>100</u>

The following chart shows ACWA Power’s and APP’s indirect shareholdings in HEPCO. Shaded entities in the chart are ACWA Power and its affiliates.



Notes:

(1) ACWA Power owns 98.15% of the shares of APP directly and the remaining 1.85% indirectly.

(2) APP owns 91% of the shares of Qurayyah Project Company directly, and ACWA Power owns the remaining 9% indirectly.

Insurance

The following table sets out the summaries of the various insurance policies obtained by HEPCO.

TYPE OF POLICY/COVER	INSURER	NATURE OF COVERAGE	LIMIT OF LIABILITY
Property damage and business interruption	Tawuniya and Medgulf	"All risks" property damage, machinery breakdown and business interruption cover policy and schedule	US\$1,250,000,000 combined for property damage and business interruption for each event
Terrorism and sabotage	Tawuniya	Terrorism	US\$300,000,000 in the aggregate
Public liability	Tawuniya	Third-party liability, product liability and pollution liability	US\$50,000,000 for each and every occurrence US\$50,000,000 in the aggregate for product liability per policy period

Key Contractual Agreements

Power Purchase Agreement. SEC is the sole purchaser of 100% of both electricity and capacity from the Qurayyah IPP pursuant to the power purchase agreement (the "**Qurayyah PPA**") entered into between HEPCO and SEC on September 21, 2011. The term of the Qurayyah PPA is 20 years from the Project's commercial operation date. HEPCO's scheduled Project's commercial operation date of June 30, 2014 was delayed. HEPCO requested SEC (the offtaker) to grant an extension to the time of completion, which was not granted by SEC. HEPCO, issued a notice of dispute on April 26, 2015 under the dispute resolution procedure of the Qurayyah PPA. SEC acknowledged the notice of dispute and, in return, SEC issued a notice of dispute on May 7, 2015. Both SEC and HEPCO remain in discussions with respect to this dispute.

Under the Qurayyah PPA, SEC is required to pay HEPCO, on a monthly basis, (i) capacity payments (which are broadly structured to compensate HEPCO for its capital costs of developing the project during the term of the Qurayyah PPA, the fixed operation and maintenance costs and taxes, as well as to provide HEPCO with investment returns on its investment in the Qurayyah IPP) and (ii) electricity payments (to compensate HEPCO for its variable costs). HEPCO incurs deductions from SEC's capacity payments if the power plant, or a part of it, suffers any reduction in its capacity or is not capable of operation because of any adverse condition from which HEPCO is not otherwise protected or relieved under the Qurayyah PPA. HEPCO will be in default under the terms of the Qurayyah PPA in case the availability of the power plant is less than 75% of the then net dependable capacity (i.e., the net capacity of the plant made available to the SEC as measured at specified measurement levels during initial and periodic tests performed in accordance with the Qurayyah PPA) for any rolling period of 730 days or more. In line with SEC's previous independent power projects, there is no explicit government or other external credit support provided for SEC's payment obligations under the Qurayyah PPA. However, SEC is required to procure credit support (either from an entity with a certain credit rating (a long-term rating of at least A-/A3, as applicable, from at least one of Standard & Poor's, Fitch or Moody's) or the Saudi Arabian government) with respect to its payment obligations under the Qurayyah PPA if its credit rating is downgraded below a certain level (i.e., if the SEC does not maintain a long-term credit rating of at least BBB/Baa2, as applicable, from at least one of Standard & Poor's, Fitch or Moody's for a period of six months).

Under the Qurayyah PPA, SEC has the responsibility to deliver to HEPCO the required quantities of fuel (subject to a maximum cap). While there is, therefore, no separate fuel supply agreement relating to this Project, HEPCO is required to maintain a certain level of efficiency in terms of its consumption of fuel (determined by reference to the power plant's heat rate). Accordingly, under the Qurayyah PPA, HEPCO is required to pay SEC a penalty (in the form of a fuel consumption adjustment payment) if the power plant has a higher heat rate (i.e., consumes more fuel) than that specified in the Qurayyah PPA. Conversely, HEPCO is entitled to receive a bonus payment (also in the form of a fuel consumption adjustment payment) if the power plant achieves a lower heat rate (i.e., consumes less fuel) than specified in the Qurayyah PPA.

EPC Contracts. HEPCO has entered into three EPC agreements (construction contract, supply contract and bridging agreement, each dated September 21, 2011) with Samsung C&T Corporation and/or Samsung C&T Corporation Saudi Arabia. Under these agreements, Samsung C&T Corporation Saudi Arabia is required to carry out the engineering, procurement and construction of the Qurayyah IPP on a turnkey basis.

Samsung C&T Corporation (as supplier under the EPC supply contract) and Samsung C&T Corporation Saudi Arabia (as construction contractor under the EPC construction contract) delivered an on-demand performance bond in their

joint capacity as the EPC contractor to HEPCO prior to the issue of the notice to proceed (i.e., the instruction from HEPCO to the EPC contractor to commence the construction of the power plant). The amount of this performance bond will be reduced to a certain threshold of the aggregate contract price following the project provisional acceptance date to be determined after the Project's commercial operation date is agreed with SEC.

The performance bond will remain in full force and effect until the date which is 10 days after the expiry of the defects liability period, which expires 24 months after the provisional acceptance date. In addition, the EPC contractor's liability for the latent defects covers the period of 60 months after the provisional acceptance date.

The EPC supply contract related to supply of equipment for the power plant and EPC construction contract specifying the terms of the construction of the power plant contain a contractual limitation period during which HEPCO may bring claims against the EPC contractor. This contractual limitation period is six years from the date of the issuance of the project provisional acceptance certificate.

Operation and Maintenance Agreement. HEPCO appointed NOMAC as operator to provide operation and maintenance services with respect to the power plant pursuant to an operation and maintenance agreement dated September 21, 2011, as amended on February 3, 2012 (the "**Qurayyah O&M Agreement**"). The Qurayyah O&M Agreement expires on the 20th anniversary of the Project's commercial operation date, provided that, if the Qurayyah PPA term is extended, then HEPCO has the right to correspondingly extend the term of the Qurayyah O&M Agreement.

Under the Qurayyah O&M Agreement, NOMAC is remunerated through both fixed and variable fees. In addition, there are incentive payments to NOMAC and corresponding liquidated damages payments payable by NOMAC depending on the availability of the power plant. The liquidated damages that NOMAC is liable to pay HEPCO under the Qurayyah O&M Agreement are equal to 30% of the reduction in revenue resulting from a decrease in the power plant's availability. However, these liquidated damages are capped at US\$3 million per annum. There are also incentive payments and liquidated damages with respect to the consumption of gas to ensure that NOMAC shares in some of the upside and downside of the power plant's efficiency. The liquidated damages NOMAC is liable to pay HEPCO in this regard are also equal to 30% of the payment to be made to SEC under the Qurayyah PPA. However, these liquidated damages are also capped at US\$3 million per annum.

Financing Arrangements. For the description of the arrangements for the debt financing of the Qurayyah IPP, see "*Description of Certain Other Financing Arrangements of Project Companies—Qurayyah IPP / HEPCO.*"

Shareholders' Agreement of HEPCO. Each of SEC, Qurayyah Investment Company and HEPCO entered into a shareholders' agreement with respect to HEPCO on September 21, 2011 (the "**HEPCO Shareholders' Agreement**"). Under the terms of this agreement, Qurayyah Investment Company has a 50% ownership interest in HEPCO, with SEC owning the remaining 50%. As APP indirectly (through Qurayyah Project Company) has a 35% ownership interest Qurayyah Investment Company, APP's indirect ownership interest in HEPCO is, therefore, 17.5%.

Under the HEPCO Shareholders' Agreement, HEPCO's board of directors consists of five members with each shareholder having the right to nominate a board member for every multiple of 20% of HEPCO's issued share capital that such shareholder holds, provided that, for so long as SEC holds at least 5% of HEPCO's issued share capital, it will be entitled to nominate at least one board member. Qurayyah Investment Company is entitled to nominate the fifth board member in the event that no shareholder is entitled to do so due to their shareholding percentages. Qurayyah Investment Company also has the right to appoint the executive managing officer of HEPCO, who will be responsible for the day-to-day management and operations of HEPCO.

Qurayyah Investment Company's representation on the HEPCO board of directors is further set out in the Qurayyah Investment Company Shareholders' Agreement (see "*—Shareholders' Agreement of Qurayyah Investment Company*"). The QIC Shareholders' Agreement (as defined below) states that for so long as the shareholders of Qurayyah Investment Company have the right to nominate three representatives to the HEPCO board of directors, Qurayyah Project Company, Samsung C&T Corporation and Qurayyah IPP HoldCo must, for so long as they have the right to nominate at least one director to the board of directors of Qurayyah Investment Company, be entitled to nominate representatives to the board of directors of HEPCO in the following manner: (i) in the case of APP, it will have the right to nominate two representatives to the board of directors of HEPCO, and (ii) in the case of Samsung C&T Corporation and Qurayyah IPP HoldCo, they will have the right to nominate one representative to the board of directors of HEPCO on a certain agreed basis.

Consent of all members of the board of directors is required for certain major actions of HEPCO, such as entering into joint venture or partnership arrangements, sale of substantially all of its assets, investments in other companies and making of any loan in excess of a certain threshold. Furthermore, certain decisions are specifically reserved for

the shareholders of HEPCO (including with respect to (i) any amendment of the constitutive documents, (ii) any change in the authorized share capital of HEPCO or issuance of any new share capital, (iii) any call for shareholders' contributions by way of debt, (iv) any material change in the nature of HEPCO's business, (v) any resolution for winding-up of HEPCO unless it becomes insolvent, (vi) any HEPCO-related merger or acquisition, (vii) appointment or removal of the auditors, (viii) any change in the powers, authority duties and responsibilities of the executive managing officer of HEPCO and (ix) any decision to distribute dividends, establish additional reserves or carry forward or retain a portion of the profits).

A transfer of HEPCO's shares is subject to the terms of the HEPCO Shareholders' Agreement and will require the prior written consent of the other shareholder, unless such transfer falls within the limited number of permitted transfers by SEC or by Qurayyah Investment Company.

Each of the shareholders in HEPCO may be required to contribute cash in the form of shareholder loans to HEPCO should it be required under the relevant annual budget of HEPCO for working capital or lending requirements. If a shareholder commits a breach of any of its material obligations under the HEPCO Shareholders' Agreement and does not remedy such breach within the specified period of time after receiving notice of such breach or upon the occurrence of another event of default applicable to such shareholder, the non-defaulting shareholder has the right to purchase all of the defaulting shareholder's shares or require the defaulting party to buy all the shares of the non-defaulting shareholder.

The shareholders have agreed that HEPCO's dividend policy must seek to maximize shareholder returns through the distribution of the full amount of HEPCO's profits available for distribution after making such transfers to reserves and provisions as are set in the HEPCO Shareholders' Agreement or ought to reasonably be made in the opinion of HEPCO's board of directors. Under the HEPCO Shareholders' Agreement, 10% of net profits must be set aside as a statutory reserve until the accumulated reserve equals 50% of the share capital of HEPCO.

The HEPCO Shareholders' Agreement remains valid until such time as it is terminated (i) upon unanimous agreement of all shareholders or (ii) if, as a result of a transfer, all the shares in HEPCO are held by only one shareholder or (iii) upon the expiration of the term of HEPCO in accordance with its articles of association. The HEPCO Shareholders' Agreement may also be terminated with respect to any party to such agreement if that party no longer holds any shares as a result of a transfer of shares permitted under this agreement.

Shareholders' Agreement of Qurayyah Investment Company. Each of Qurayyah Project Company, Samsung C&T Corporation, Qurayyah IPP Holdco, MENA Infrastructure Fund LP, APP and ACWA Power entered into a shareholders' agreement with respect to Qurayyah Investment Company on February 6, 2012 (the "**QIC Shareholders' Agreement**"). Under the terms of the QIC Shareholders' Agreement, the shareholders of Qurayyah Investment Company are Qurayyah Project Company (35%), Samsung C&T Corporation (35%) and Qurayyah IPP HoldCo (30%).

Qurayyah Investment Company's board of directors consists of six directors, with Qurayyah Project Company having the right to appoint two directors, provided that it holds no less than 20% of the issued share capital in Qurayyah Investment Company. Samsung C&T Corporation and Qurayyah IPP Holdco both have the right to appoint two directors if they each hold no less than 30% of the issued share capital in Qurayyah Investment Company (which will be reduced to only one director if they hold less than 30% but more than 15%, and further reduced to no directors if they hold less than 15% of the issued share capital in Qurayyah Investment Company). Qurayyah Project Company is entitled to appoint the chairman of the board of directors provided that it has a director on the board. If Qurayyah Project Company does not have a director on the board, the chairman will be appointed by the shareholder with the largest share of the issued share capital in Qurayyah Investment Company.

In accordance with the QIC Shareholders' Agreement, the shareholders are entitled to nominate representatives to the board of directors of HEPCO and must appoint a representative to vote at HEPCO's shareholders' meetings. Any resolution proposed by the HEPCO board of directors to be passed by circular resolution will require the shareholders of Qurayyah Investment Company to convene a meeting of the board of directors of Qurayyah Investment Company prior to the signing of the circular resolution by the shareholders' representatives. Qurayyah Project Company is exclusively entitled to nominate the executive managing officer and chief financial officer of HEPCO.

The QIC Shareholders' Agreement contains a list of specified reserved decisions of the board of directors and shareholders that require the affirmative votes of at least one director appointed by each of the shareholders, such as offering shares in Qurayyah Investment Company to third parties, any acquisition of a subsidiary company or the entry into any contract creating an obligation or liability on Qurayyah Investment Company in excess of a certain threshold per annum.

The QIC Shareholders' Agreement states that it is the intention of the shareholders to generate maximum profits available for distribution by Qurayyah Investment Company, and that the shareholders agree that Qurayyah Investment Company's dividend policy is to maximize shareholder returns.

The share capital of Qurayyah Investment Company can only be increased in accordance with Qurayyah Investment Company's articles of association and following the unanimous approval of the shareholders.

The shareholders are prohibited from selling, transferring, assigning, encumbering or otherwise disposing of their respective shareholdings in Qurayyah Investment Company, except to an affiliate of such shareholder, to one another or to a third party subject to compliance with the terms of the QIC Shareholders' Agreement, restrictions on transfers of direct and indirect shareholding interests in HEPCO set out in the Qurayyah ESRA and in compliance with the applicable law. If a shareholder breaches a material term of the QIC Shareholders' Agreement and such breach results in an event of default (as defined in QIC Shareholders' Agreement), the non-defaulting shareholders have the right to require the defaulting shareholder to sell all of its shares in Qurayyah Investment Company at a price equal to the greater of (i) US\$1 and (ii) the fair market value of such shares.

The QIC Shareholders' Agreement will remain valid until such time that it is terminated (i) upon mutual written consent of the parties or (ii) upon the acquisition by one party of all the issued share capital in Qurayyah Investment Company or (iii) if there is a court order winding-up Qurayyah Investment Company or (iv) upon the expiry of Qurayyah Investment Company specified under its articles of association.

Bowarege IWP / Bowarege

Overview

Bowarege has developed the world's first self-contained desalination plants mounted on two transportable barges. This enables them to be moved at short notice to locations that have an urgent seasonal need or water deficiency. They were first moored at Shuaibah, south of Jeddah, delivering water to Makkah and Jeddah ahead of new supplies from the Shuaibah IWPP. They moved to Shuqaiq in the southern region in 2009 until the Shuqaiq IWPP came online a year later, and, since 2011, they have been at their current location at the Yanbu-Madinah desalination plants complex on the Red Sea to serve the industrial city of Yanbu and the city of Madinah. As of the date of this Offering Memorandum, the barges are under a one-year contract with Saline Water Conversion Corporation (the "SWCC"), which expires in December 2017.

The facilities utilize a reverse osmosis desalination process, and each of the two barges has a design desalinated water output capacity of 25,000 cubic meters a day.

Barge 2 of the Bowarege IWP suffered a fire incident on September 21, 2013 resulting in the loss of the control room, cables, switchgear and office that were completely burnt. In addition, the diesel engines and generators suffered damage due to the use of seawater to put out the fire. The relevant barge has been repaired using the proceeds from insurance, and both barges have been fully operational since August 2014.

The following table sets out certain key characteristics of the Bowarege IWP.

Current location	Yanbu, 250 kilometers north of Jeddah, on the western coast of the Kingdom of Saudi Arabia
Commencement of operations	Second quarter of 2008
Project cost (in US\$ millions)	99
Water capacity (in cubic meters per day)	50,000
Technology	reverse osmosis desalination process
Operation and maintenance	NOMAC

The following table sets out certain operational metrics of the Bowarege IWP.

	YEAR ENDED DECEMBER 31,		
	2014	2015	2016
Water technical availability	60.9%	88.6%	88.7%
Water forced outage rate	39.1%	2.0%	4.6%
Minimum water availability for triggering termination clauses	95(76)% ⁽¹⁾	95(76)% ⁽¹⁾	95(76)% ⁽¹⁾

Note:

⁽¹⁾ Bowarege is required under the terms of the Bowarege WPA (as defined below) to ensure the availability of the water plant at the level of no less than 95% during each month. This minimum availability level, however, is based on the requirement to provide 40,000 cubic meters of desalinated water per day, while the aggregate design capacity of the two barges is 50,000 cubic meters per day. Therefore, the effective minimum water availability for triggering the termination clause under the Bowarege WPA is 76%.

Shareholding Structure

ACWA Power has an indirect shareholding in Bowarege, the Project Company that owns the Bowarege IWP. ACWA Power’s indirect shareholding in Bowarege is held through a direct shareholding in APP. APP owns a 64.85% ownership interest in Bowarege.

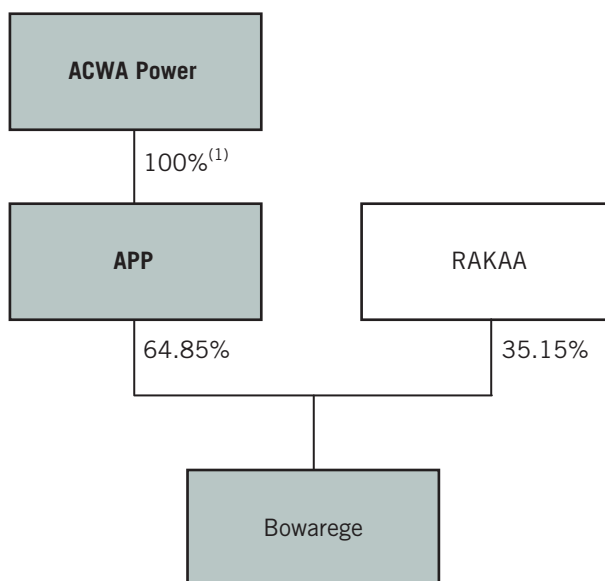
The following table sets out the shareholding interests in Bowarege.

<u>ENTITY</u>	<u>PERCENTAGE INTEREST</u>
	(in %)
APP ⁽¹⁾	64.85
Rakaa Saudi Power & Water Co. Ltd (“ RAKAA ”)	<u>35.15</u>
Total	<u>100</u>

Note:

⁽¹⁾ ACWA Power owns 98.15% of the shares of APP directly and the remaining 1.85% indirectly.

The following chart shows ACWA Power’s indirect shareholding and APP’s direct shareholding in Bowarege. Shaded entities in the chart are ACWA Power and its affiliates.



Note:

⁽¹⁾ ACWA Power owns 98.15% of the shares of APP directly and the remaining 1.85% indirectly.

Insurance

The following table sets out the summaries of the various insurance policies obtained by Bowarege.

<u>TYPE OF POLICY/COVER</u>	<u>INSURER</u>	<u>NATURE OF COVERAGE</u>	<u>LIMIT OF LIABILITY</u>
Onshore property physical damage	SAICO	Physical damage	US\$4,329,769
Property afloat and machinery breakdown including war	SAICO	Physical damage and machinery breakdown	US\$72,636,126
Increased value	SAICO	Physical damage and machinery breakdown	US\$76,965,895
Business interruption	SAICO	Business interruption	US\$38,894,368
Marine and non-marine liability	SAICO	Liabilities	US\$10,000,000
Sabotage and terrorism (onshore property)	SAICO	Sabotage and terrorism	US\$72,636,126

Key Contractual Agreements

Water Purchase Agreement. On July 1, 2007, RAKAA entered into a water sale agreement with SWCC (the “**Bowarege WPA**”) for the provision of up to 50,000 cubic meters per day (subsequently amended to 40,000 cubic meters per day) of desalinated water to SWCC, by way of 2 x 25,000 cubic meters per day capacity water desalination plants erected on two barges. SWCC is the sole purchaser of 100% of desalinated water produced at the Bowarege IWP under the terms of the Bowarege WPA. SWCC is committed to purchasing the agreed quantity of desalinated water unless it does not meet the required specifications and conditions.

The agreement had an initial term of three years, which was initially extended for an additional period up to May 31, 2013 and subsequently extended first to December 31, 2016 and then to December 31, 2017.

On April 1, 2008, RAKAA and Bowarege entered into a project performance agreement (the “**Project Performance Agreement**”) for the provision by Bowarege of up to 50,000 cubic meters of desalinated water per day (subsequently amended to 40,000 cubic meters per day). This Project Performance Agreement is a back-to-back agreement with the Bowarege WPA, whereby payments for desalinated water in effect flow from SWCC through RAKAA to Bowarege, and Bowarege becomes exposed to the same risks as those RAKAA is facing under the Bowarege WPA. The Project Performance Agreement is on a “take-or-pay” basis, where Bowarege provides invoices covering the price of the water supplied during the month or the quantity of water made available to RAKAA during each calendar month. The initial term of the Project Performance Agreement was extended to December 31, 2013 and subsequently further extended to match the term of the Bowarege WPA.

Under the Project Performance Agreement, neither Bowarege nor RAKAA are liable for any delays or failures in performing their obligations if such delays or failures occur due to a *force majeure* event.

Operation and Maintenance Agreement. Bowarege appointed NOMAC as a contractor to provide operation and maintenance services to the Bowarege IWP under the operation and maintenance agreement dated August 1, 2008 (the “**Bowarege O&M Agreement**”). The agreement had an initial term of three years, which has been extended by an amendment agreement first to July 31, 2016 and then to July 31, 2019.

Under the Bowarege O&M Agreement, NOMAC is remunerated through both fixed and variable fees. NOMAC is required to make available desalinated water in accordance with the required water quality specifications under the Bowarege WPA (and also under the same specifications in the Project Performance Agreement). If the monthly plant availability is less than the minimum contracted water capacity, NOMAC will pay to Bowarege liquidated damages equivalent to a certain percentage of Bowarege’s reduction in revenue from SWCC (through RAKAA). The Bowarege O&M agreement also provides for water availability incentive payments equal to a certain percentage of any additional revenue received by Bowarege from SWCC (through RAKAA).

Fuel Supply Agreement. RAKAA entered into a fuel supply agreement (the “**Bowarege FSA**”) with Saudi Aramco on February 4, 2009 for the sale and purchase of diesel to be delivered to the barges owned by Bowarege.

The FSA has a term of one year, with an option for either RAKAA or Saudi Aramco to renew by giving the other party a 30-day notice prior to the expiry of the term or any extended term. As of the date of this Offering Memorandum, both RAKAA and Saudi Aramco continue to perform their obligations under the Bowarege FSA. The Bowarege FSA also enables either party to terminate for any material breach of the contract by the other party.

Under the Bowarege FSA, Saudi Aramco supplies a specified amount of diesel per year to RAKAA. The supply of diesel is based on monthly requests received from RAKAA, which must not be lower than a specified threshold amount per month or a specified threshold amount per delivery. These monthly requests can be modified by RAKAA with respect to any month by giving no less than 30 days’ notice.

In addition, in 2014, RAKAA entered into a back-to-back fuel supply agreement with Bowarege to supply fuel to Bowarege for the operation of the barges.

Financing Arrangements. For the description of the arrangements for the debt financing of the Shuaibah Expansion IWP, see “*Description of Certain Other Financing Arrangements of Project Companies—Bowarege IWP / Bowarege.*”

Project Co-Development Agreement. There is no shareholders’ agreement relating to Bowarege. RAKAA and APP entered into a project co-development and management agreement with respect to the joint venture to establish a new project company, Bowarege, on July 23, 2007 (the “**Project Co-Development and Management Agreement**”). Under the terms of this agreement, APP had an initial 55% ownership interest in Bowarege, with RAKAA initially owning the remaining 45%. Currently, APP holds a 64.85% shareholding interest in Bowarege (therefore giving ACWA Power an indirect 64.85% shareholding in Bowarege), with RAKAA owning the remaining 35.15%.

Under the Project Co-Development and Management Agreement, RAKAA is responsible for (i) managing the Bowarege WPA, (ii) securing all licenses required by Bowarege to perform its obligations under the Project Performance Agreement, (iii) seeking extensions to the Bowarege WPA or sourcing new desalination projects, (iv) customer and government relations, (v) any delay penalties imposed under the Bowarege WPA (excluding those due to water delivered by Bowarege failing to meet the contractual water quality specifications) and (vi) securing payments under the Bowarege WPA for sales of water. RAKAA may not terminate the Bowarege WPA without the prior written consent of APP.

Furthermore, APP and RAKAA are jointly responsible for certain matters (including with respect to (i) the engineering and design of the water desalination project, (ii) acquiring and modifying two barges and related equipment for the project, (iii) management of the electro-mechanical and electricity works and water treatment plant, (iv) procurement, construction and start-up of the equipment necessary for the project to be installed on the barges, (v) recruiting a project manager, (vi) procuring a contract with NOMAC for the operation and maintenance of the water treatment plant, (vii) preparation of budgets for the project, (viii) any cost over-runs incurred in the operation and maintenance of the project, (ix) securing the bank financing for the project, (x) overall management of the project at the level of the boards of directors of RAKAA, APP and Bowarege and appointment of two project coordinators, (xi) seconding personnel to the project in proportion to the equity split between APP and RAKAA and (xii) delay penalties imposed under the Bowarege WPA for any delay in delivery of the required quantities of water).

RAKAA and APP may transfer any part of their respective shareholdings in Bowarege to an affiliate or related party, the majority of which is owned by the relevant party. Under the Project Co-Development and Management Agreement, both shareholders also have the right to elect to provide financing or offer re-financing to Bowarege on the same terms and conditions as applicable bank financing.

Consent of a two-thirds majority of the board of directors of Bowarege is required for certain major decisions.

RAWEC IWSPP / RAWEC

Overview

The RAWEC IWSPP is a project developed on a build, own and operate basis, which is located in Rabigh, 130 kilometers north of Jeddah, on the western coast of the Kingdom of Saudi Arabia, adjacent to the Rabigh IPP. RAWEC is the utilities provider (electricity, desalinated water and steam) within the Rabigh complex, the integrated refinery and petrochemical complex owned and operated by Rabigh Refining and Petrochemical Company ("**Petro-Rabigh**"). The RAWEC IWSPP uses heavy fuel oil as fuel, which is provided by Petro-Rabigh under a tolling arrangement. The RAWEC IWSPP is being constructed in two phases. The phase I facilities have a power generation capacity of 360 MW using a steam turbine configuration, a desalinated water output capacity of 134,000 cubic meters per day using a reverse osmosis desalination process and a steam output capacity of 29,520 tons per day (or 1,230 tons per hour) (the "**RAWEC Phase I Facilities**"). The phase II facilities have a power generation capacity of 160 MW using a steam turbine configuration, a desalinated water output capacity of 54,480 cubic meters per day using a reverse osmosis desalination process and a steam output capacity of 24,360 tons per day (or 1,015 tons per hour) (the "**RAWEC Phase II Facilities**").

The RAWEC Phase I Facilities achieved the Project's commercial operation date on June 1, 2008. The RAWEC Phase I Facilities experienced two unplanned shutdowns on December 29, 2012 and then on September 11, 2013, following which Petro-Rabigh issued notice of its intention to terminate the RAWEC WECA (as defined below). The RAWEC Phase I Facilities is a captive plant, which exclusively supplies the utility needs of Petro-Rabigh and, as a result, there are strict conditions relating to unplanned shutdowns of the plant. Subsequent to the issuance of such a notice of intention to terminate, the parties entered into a restructuring agreement on May 8, 2014. Under this restructuring agreement, among other things, (i) RAWEC paid a fine of SAR 750 million to Petro-Rabigh that was financed by shareholder contributions, (ii) the net present value of the future tariff to be paid under the RAWEC WECA to RAWEC was reduced by SAR 187.5 million and (iii) a capital expenditure program of SAR 187.5 million to increase the reliability of the plant was agreed. In addition, Itochu Corporation exited RAWEC by transferring its shareholding in RAWEC to each of APP and Marubeni Corporation, thereby increasing their respective shareholdings in RAWEC to 37% each. RAWEC entered into an operation and maintenance agreement with a newly formed operation and maintenance contractor Rabigh Power Company, which had NOMAC, Marubeni Corporation and JGC Corporation as the key shareholders. On September 1, 2014, Rabigh Power Company took over the operation and maintenance of the plant for RAWEC.

Under the RAWEC WECA, the expected Project's commercial operation date for the RAWEC Phase II Facilities was June 22, 2016. However, this expected Project's commercial operation date has been delayed due to the unavailability of sufficient load from the offtaker. Under RAWEC WECA, the offtaker was supposed to energize the new SEC gas-insulated switchgear by March 6, 2016. Accordingly, RAWEC planned to commence plant performance test, maximum output power test, reliability run test and initial net dependable capacity test beginning in April 2016. However, the lack of input and output loads prevented RAWEC from being able to conduct these tests. Nevertheless, as per the RAWEC WECA terms, the offtaker confirmed the readiness of the RAWEC Phase II Facilities and, as a result, RAWEC was deemed to have achieved commercial operations. The actual Project's commercial operation date for the RAWEC Phase II Facilities is currently expected to occur in or after the fourth quarter of 2017.

Due to the delay in performance tests, Mitsubishi Heavy Industries, which is the EPC contractor for the RAWEC Phase II Facilities, will incur additional costs to keep the plant in custody until the new Project's commercial operation date. RAWEC is currently in discussions with Mitsubishi Heavy Industries regarding their estimate of such additional costs.

Since June 2016 Petro-Rabigh has been paying RAWEC deemed capacity payments for the RAWEC Phase II Facilities based on the RAWEC Phase II Facilities' contracted capacity. Such deemed capacity payments are expected to continue to be paid until Petro-Rabigh is ready to accept the RAWEC Phase II Facilities.

The following table sets out certain key characteristics of the RAWEC IWSP.

Location	Western coast of the Kingdom of Saudi Arabia
Type	IWSP
Project's commercial operation date for RAWEC Phase I Facilities	Second quarter of 2008
Expected Project's commercial operation date for RAWEC Phase II Facilities	Fourth quarter of 2017 or first quarter of 2018
Power capacity (in MW)	360 MW for RAWEC Phase I Facilities and 160 MW for RAWEC Phase II Facilities
Water capacity (in cubic meters per day)	134,000 for RAWEC Phase I Facilities and 54,480 for RAWEC Phase II Facilities
Steam capacity (in tons per day)	29,520 for RAWEC Phase I Facilities and 24,360 for RAWEC Phase II Facilities
Fuel	Heavy fuel oil
Technology	Power: steam turbine configuration
Operation and maintenance	Water: reverse osmosis desalination process Rabigh Power Company LLC

The following table sets out certain operational metrics of the RAWEC IWSP (RAWEC Phase I Facilities).

RAWEC PHASE I POWER FACILITIES	YEAR ENDED DECEMBER 31,		
	2014	2015	2016
Power technical availability	96.2%	93.3%	93.9%
Power forced outage rate	0.0%	0.0%	0.0%
Minimum power availability for triggering termination clauses	90% ⁽¹⁾	90% ⁽¹⁾	90% ⁽¹⁾

Note:

⁽¹⁾ Unless caused by certain qualifying *force majeure* or risk events, RAWEC will be in default under the terms of the RAWEC WECA in the following circumstances:

(i) before the RAWEC Phase II Facilities Project's commercial operation date:

- if any RAWEC Phase I Unreliability Event occurs in a period immediately following a period in which a RAWEC Phase I Unreliability Event has occurred; or
 - if there are 22 outages of desalination units or 20 outages of power/steam units over a 365-day period; or
 - if there are two consecutive days of unexcused failure to operate the RAWEC Phase I Facilities or a RAWEC Phase II Facilities early utility unit; or
 - if there are two shutdowns of the RAWEC Phase I Facilities over a 365-day period.
- "RAWEC Phase I Unreliability Event" as used above means:
- the average availability is less than 90% of the contracted capacity for 25% of the time in any 180-day period;
 - in any 365-day period in which no major maintenance overhaul occurs, four or more unplanned outages of the RAWEC Phase I Facilities' desalination units or five or more unplanned outages of the RAWEC Phase I Facilities' steam units or four or more unplanned outages of the RAWEC Phase I Facilities' power units occur while the actual capacity of the RAWEC Phase I Facilities is less than 90% of the contracted capacity; or
 - in any 365-day period in which a major maintenance overhaul occurs, eight or more unplanned outages of the RAWEC Phase I Facilities' desalination units, or 10 or more unplanned outages of the RAWEC Phase I Facilities' steam units, or eight or more unplanned outages of the RAWEC Phase I Facilities' power units occur while the actual capacity of the RAWEC Phase I Facilities is less than 90% of the contracted capacity.

(ii) from and after the RAWEC Phase II Facilities Project's commercial operation date:

- if any RAWEC Phase II Unreliability Event occurs in a period immediately following a period in which a RAWEC Phase II Unreliability Event has occurred; or
 - if there are 33 outages of desalination units or 28 outages of power/steam units over a 365 day period; or
 - if there are two consecutive days of unexcused failure to operate the RAWEC Phase I Facilities and RAWEC Phase II Facilities; or
 - if there are two shutdowns of the RAWEC Phase I Facilities and RAWEC Phase II Facilities over a 365 day period.
- "RAWEC Phase II Unreliability Event" as used above means:
- the average availability is less than 90% for 25% of the time in any 180-day period;

- in any 365-day period in which no major maintenance overhaul occurs, six or more unplanned outages of the desalination units, or seven or more unplanned outages of the steam units, or six or more unplanned outages of the power units occur while the actual capacity of the RAWEC Phase I Facilities and RAWEC Phase II Facilities is less than 90% of the contracted capacity; or
- in any 365-day period in which a major maintenance overhaul occurs, 12 or more unplanned outages of the desalination units, or 14 or more unplanned outages of the steam units, or 12 or more unplanned outages of the power units occur while the actual capacity of the RAWEC Phase I Facilities and RAWEC Phase II Facilities is less than 90% of the contracted capacity.

RAWEC PHASE I WATER FACILITIES	YEAR ENDED DECEMBER 31,		
	2014	2015	2016
Water technical availability	97.1%	95.3%	92.7%
Water forced outage rate	0.0%	0.0%	0.3%
Minimum water availability for triggering termination clauses	90% ⁽¹⁾	90% ⁽¹⁾	90% ⁽¹⁾

Note:

⁽¹⁾ See note (1) to the previous table.

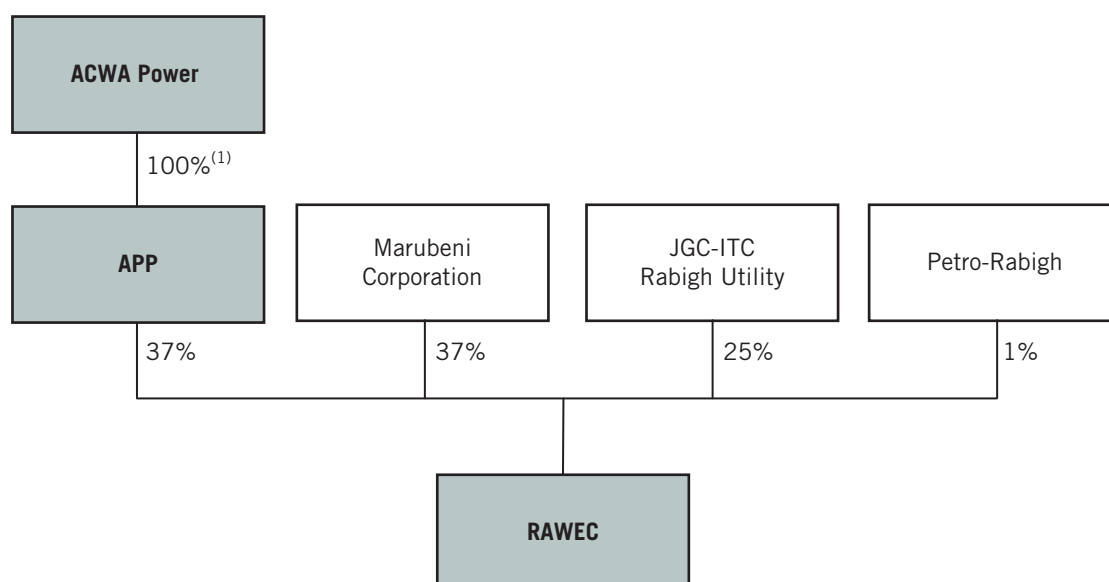
Shareholding Structure

ACWA Power has an indirect shareholding in RAWEC, the Project Company that owns the RAWEC IWSPP. ACWA Power's indirect shareholding in RAWEC is held through APP. The shareholders' agreement entered into by the shareholders of RAWEC is discussed in "*—Key Contractual Agreements—Shareholders' Agreement of RAWEC*" below.

The following table sets out the shareholding interests in RAWEC.

ENTITY	PERCENTAGE INTEREST
	(%)
APP	37
Marubeni Corporation	37
JGC-ITC Rabigh Utility	25
Petro-Rabigh	1
Total	<u>100</u>

The following charts shows indirect shareholding of ACWA Power and direct shareholding of APP in RAWEC. Shaded entities in the chart are ACWA Power and its affiliates.



Note:

⁽¹⁾ ACWA Power owns 98.15% of the shares of APP directly and the remaining 1.85% indirectly.

Insurance

The responsibility for insuring the RAWEC IWSPP is split between Petro-Rabigh and RAWEC under the RAWEC WECA.

The following table sets out the summaries of the various insurance policies obtained by RAWEC.

<u>TYPE OF POLICY/COVER</u>	<u>INSURER</u>	<u>NATURE OF COVERAGE</u>	<u>LIMIT OF LIABILITY</u>
Construction “all risks” property damage (construction) and property “all risks” material damage (early operations)		“All risks” of physical loss of damage in the course of storage, construction, erection, testing, and commissioning; property damage, machinery breakdown Property damage during early power generation	US\$769,070,000 US\$25,000,000 covering existing property for each and every loss
Delay in start-up (construction) and early power generation during operations before commercial operation	Tawubiya	Loss of anticipated capacity payment and increased cost of working following a delay as a consequence of a property damage	US\$200,000,000
Terrorism and sabotage	Tawubiya	Terrorism insurance cover for property damage resulting from acts of terrorism and/or sabotage	US\$375,000,000 in the aggregate
Marine cargo	Tawubiya	“All risks” of physical loss of damage to property in transit	US\$50,000,000 for any one occurrence
Delay in start-up (construction) and early power generation during operations before commercial operation	Tawubiya	Loss of anticipated capacity payments and increased cost of working following a delay as a consequence of a marine cargo property damage	US\$200,000,000
Public liability	Tawubiya	Third-party liability, product liability and pollution liability	US\$100,000,000 for each and every occurrence

Key Contractual Agreements

Water and Energy Conversion Agreement. Petro-Rabigh is the sole purchaser of 100% of electricity, steam, desalinated water and capacity from the RAWEC IWSPF under the amended and restated water and energy conversion agreement (the “**RAWEC WECA**”) entered into between RAWEC and Petro-Rabigh on March 9, 2015. The term of the RAWEC WECA is 25 years from the Project’s commercial operation date of the RAWEC Phase II Facilities.

Under the RAWEC WECA, Petro-Rabigh is required to pay RAWEC, on a monthly basis, (i) capacity payments (which are broadly structured to compensate RAWEC for its capital costs of developing the project during the term of the RAWEC WECA, the fixed operation and maintenance costs and taxes, as well as to provide RAWEC with investment returns on its investment in the RAWEC IWSPF) and (ii) output payments (to compensate RAWEC for its variable operation and maintenance costs). RAWEC incurs deductions from Petro-Rabigh’s capacity payments if the plant, or a part of it, suffers any reduction in its capacity or is not capable of operation because of any adverse condition from which RAWEC is not otherwise protected or relieved under the RAWEC WECA. For the circumstances in which RAWEC will be in default under the terms of the RAWEC WECA, see note (4) to the penultimate table in “—RAWEC IWSPF / RAWEC—Overview.” There are no Saudi Arabian government or other external credit support provided for Petro-Rabigh’s payment obligations under the RAWEC WECA.

Under the RAWEC WECA, Petro-Rabigh has the responsibility to deliver to RAWEC the required quantities of fuel, steam condensate and uncontaminated water. There is, therefore, no separate fuel supply agreement relating to this Project. Nevertheless, RAWEC is required to maintain a certain level of efficiency in terms of its consumption of fuel (determined by reference to the power plant’s heat rate). Accordingly, under the RAWEC WECA, RAWEC is required to pay Petro-Rabigh a penalty (in the form of a fuel consumption adjustment payment) if the power plant has a higher heat rate (i.e., consumes more fuel) than that specified in the RAWEC WECA. Conversely, RAWEC is entitled to receive a bonus payment (also in the form of a fuel consumption adjustment payment) if the power plant achieves a lower heat rate (i.e., consumes less fuel) than specified in the RAWEC WECA. In addition, if there is a shortfall in the steam condensate to be supplied by Petro-Rabigh, then Petro-Rabigh is required to pay a penalty (in the form of a steam condensate adjustment payment).

EPC Contracts. RAWEC has entered into two engineering, procurement and construction agreements with Mitsubishi Heavy Industries (an EPC contract dated August 7, 2005 between Marubeni Corporation and Mitsubishi Heavy Industries and novated to RAWEC on December 22, 2005 with respect to the RAWEC Phase I Facilities and an EPC contract dated October 30, 2012 and amended on December 17, 2014 between RAWEC and Mitsubishi Heavy Industries with respect to the RAWEC Phase II Facilities).

The EPC contract with respect to the RAWEC Phase I Facilities contains a warranty covering the civil works which runs for 10 years from January 1, 2009.

Under the EPC contract with respect to the RAWEC Phase II Facilities, Mitsubishi Heavy Industries delivered an on-demand performance bond to RAWEC prior to the issue of the notice to proceed (i.e., the instruction from RAWEC to the EPC contractor to commence the construction of the power plant) in the amount of 25% of the contract price. The amount of this performance bond will be reduced to 5% of the contract price on the later of the date that the Project's commercial operation date is achieved and the date on which Mitsubishi Heavy Industries has paid all delay and performance liquidated damages to RAWEC. This performance bond will expire on the date the performance certificate is issued and this certificate will be issued after the expiry of the main defects liability period.

The EPC contract with respect to the RAWEC Phase II Facilities contains a defects liability period which runs for two years after the risk transfer date and may be extended by a further two years after the completion of any remedial works (but only with respect to those remedial works), provided that in no event will the defects liability period last longer than four years from the risk transfer date. There is also a 10 year defects liability period with respect to the civil works.

Operation and Maintenance Agreement. RAWEC appointed Rabigh Power Company LLC ("**Rabigh Power Company**") as a contractor to provide operation and maintenance services with respect to the plant pursuant to the operation and maintenance agreement dated June 12, 2014 (the "**RAWEC O&M Agreement**"). Rabigh Power Company is a subsidiary of NOMAC, which has a 51% ownership interest in it. The remaining ownership interests are held by Marubeni Corporation (34%) and JGC Corporation (15%). The RAWEC O&M Agreement expires on the last day of the term of the RAWEC WECA.

Under the RAWEC O&M Agreement, the remuneration of Rabigh Power Company is split into two phases. During the first phase ("**RAWEC Payment Period 1**"), Rabigh Power Company is paid its actual costs related to providing operation and maintenance services to RAWEC plus a certain percentage (the "**Additional Sum**"). During the second phase ("**RAWEC Payment Period 2**"), there are two options. Either (i) Rabigh Power Company and RAWEC agree a fixed fee, which is to comprise of a fixed amount paid in advance in 12 equal monthly installments and an additional variable element paid monthly in arrears, or (ii) if no fixed fee is agreed then Rabigh Power Company is to have its actual costs of performing the services (other than any additional services) reimbursed on a cost plus basis, and, in addition receive a percentage of any cost savings made measured against the budgeted operation and maintenance costs for each operating year. RAWEC Payment Period 1 began on the date that Rabigh Power Company was requested to begin delivering services under the RAWEC O&M Agreement by RAWEC in the notice to proceed and continues for three years, provided the Project's commercial operation date occurs at least 180 days prior to the end of this three-year period (if not, then RAWEC Payment Period 1 must be extended until 180 days after the Project's commercial operation date). RAWEC Payment Period 2 runs from the end of RAWEC Payment Period 1 until the end of the term of the RAWEC O&M Agreement.

In addition to remuneration discussed above, there are incentive payments to Rabigh Power Company and corresponding liquidated damages payments payable by Rabigh Power Company depending on the availability of the power plant. The liquidated damages that Rabigh Power Company is liable to pay RAWEC under the RAWEC O&M Agreement are based on the availability of power, steam and water and consumption of fuel. During RAWEC Payment Period 1, liquidated damages equal to 30% of the reduction in revenue from capacity payments with respect to each of steam, water and energy availability, subject, in each case, to a cap. During RAWEC Payment Period 2, the same regime applies, but the cap is set at 5% of the fixed element of Rabigh Power Company's fee. During RAWEC Payment Period 1, but only commencing from the second contract year, Rabigh Power Company is required to pay liquidated damages equal to 30% of the amount by which its actual operating costs exceed 105% of operating costs included in the annual operating budget for the relevant contract year, subject to a cap.

In addition, if RAWEC is required to make any fuel adjustment payments to Petro-Rabigh under the RAWEC WECA, then Rabigh Power Company must pay liquidated damages in the amount of 30% of such payments to RAWEC, subject to a cap.

During RAWEC Payment Period 1, Rabigh Power Company's aggregate liability to pay liquidated damages is capped. During RAWEC Payment Period 2, Rabigh Power Company's aggregate liability to pay liquidated damages is

capped. The overall aggregate limitation of liability of Rabigh Power Company under the RAWEC O&M Agreement during the term of the RAWEC O&M Agreement is US\$25 million plus the cumulative amount of incentive payments received by Rabigh Power Company.

Financing Arrangements. For the description of the arrangements for the debt financing of the RAWEC IWSPP, see “*Description of Certain Other Financing Arrangements of Project Companies—RAWEC IWSPP / RAWEC.*”

Shareholders’ Agreement of RAWEC. Each of APP, Marubeni Corporation, JGC Corporation, Petro-Rabigh, JGC-ITC Utility Co., Ltd. and RAWEC entered into an amended and restated shareholders’ agreement with respect to RAWEC on December 17, 2014 (the “**RAWEC Shareholders’ Agreement**”). The shareholding in RAWEC is set out in “—*Shareholding Structure*” above.

Under the RAWEC Shareholders’ Agreement, RAWEC’s board of directors consists of eight members with each shareholder being entitled to appoint a board member for each multiple of 12% of the shares of RAWEC it holds. Therefore, Marubeni Corporation and APP each have the right to appoint three board members and JGC Corporation has the right to appoint two board members. APP also has the right to nominate the executive managing officer of RAWEC, who will be responsible for the day-to-day management and operations of RAWEC.

Consent of all members of the board of directors or all shareholders holding at least 25% of the shares in RAWEC is required for certain major actions of RAWEC (including with respect to (i) any amendment of the constitutive documents, (ii) any change in the authorized share capital of RAWEC or issuance of any new share capital, (iii) any material change in the nature of RAWEC’s business, (iv) any resolution for winding-up of RAWEC unless it becomes insolvent, (v) any RAWEC-related merger or acquisition, (vi) appointment or removal of the auditors, (vii) any change in the powers, authority duties and responsibilities of the executive managing officer of RAWEC and (viii) any decision to distribute dividends, establish additional reserves or carry forward or retain a portion of the profits).

A transfer of RAWEC’s shares is subject to the terms of the RAWEC Shareholders’ Agreement and will require the prior written consent of the other shareholders, unless such transfer falls within the limited number of transfers expressly permitted under the RAWEC Shareholders’ Agreement.

If the accumulated losses of RAWEC exceed 50% of RAWEC’s issued share capital, the shareholders in RAWEC may call a meeting to agree to contribute further equity to RAWEC. If a shareholder declines to contribute further equity, the other shareholders have the right to purchase all of such shareholder’s shares. If a shareholder declines to provide further equity and the other shareholders do not purchase such shareholder’s shares or the shareholders cannot agree to contribute further equity, RAWEC must be dissolved.

The shareholders have agreed that RAWEC’s dividend policy must seek to maximize cash returns for shareholders. Under the articles of association, 10% of net profits must be set aside as a statutory reserve until the accumulated reserve equals 50% of the share capital of RAWEC.

The RAWEC Shareholders’ Agreement remains valid until such time as it is terminated if (i) so agreed by APP, Marubeni Corporation, JGC-ITC Utility Co., Ltd. and JGC Corporation or (ii) an effective shareholder resolution is made for the winding up of RAWEC. The RAWEC Shareholders’ Agreement may also be terminated with respect to any party to such agreement if that party no longer holds any shares as a result of a transfer of shares permitted under the RAWEC Shareholders’ Agreement.

The shareholders are prohibited from selling, transferring, assigning, encumbering or otherwise disposing of their respective shareholdings in RAWEC, except to an affiliate of such shareholder, to one another or to a third party subject to compliance with the terms of the RAWEC Shareholders’ Agreement, restrictions on transfers of direct and indirect shareholding interests in RAWEC set out in RAWEC’s financing documents and in compliance with the applicable law. If a shareholder breaches a material term of the RAWEC Shareholders’ Agreement and such breach results in an event of default (as defined in RAWEC Shareholders’ Agreement), the non-defaulting shareholders have the right to require the defaulting shareholder to sell all of its shares in RAWEC at a 20% discount to the fair market value of such shares.

Option Agreement. In May 2014, APP and Marubeni Corporation have entered into a call and put option agreement under which (i) Marubeni Corporation may require APP to purchase all of Marubeni Corporation’s shares and shareholder loans in RAWEC and Rabigh Power Company or (ii) APP may require Marubeni Corporation to sell to APP all of Marubeni Corporation’s shares and shareholder loans in RAWEC and Rabigh Power Company. The options are exercisable by either party during the three years following a defined date. The parties have agreed that the purchase price for the shares and shareholder loans will be agreed between the parties at the time either option is exercised based on pre agreed principles.

Description of NOMAC's Operations related to the Projects

Overview

On August 28, 2005, ACWA Power, along with a partner, incorporated First National Company for Operation and Maintenance Company Limited ("**NOMAC Limited**" or "**NOMAC**") as a subsidiary registered in the Kingdom of Saudi Arabia. ACWA Power then acquired all the shares in NOMAC through its subsidiary APP, making it an indirect wholly owned subsidiary of ACWA Power. NOMAC became a captive operation and maintenance services provider for ACWA Power Group's electricity generation and desalinated water production projects, initially in the Kingdom of Saudi Arabia and, subsequently, in several other jurisdictions. NOMAC's management believes that it is currently the largest private desalinated water operation and maintenance company in the world.

As of the date of this Offering Memorandum, the ACWA Power Group is in the process of implementing the NOMAC Restructuring. See "*NOMAC Restructuring*." A new holding company incorporated as a limited liability company under the laws of the Kingdom of Saudi Arabia ("**NOMAC Holding Company**") has been created to hold 100% of the shares of NOMAC. NOMAC Holding Company is a wholly owned subsidiary of ACWA Power. APP, which owns 99% of NOMAC Limited, and Projects Acquisition Company, which owns the remaining 1% of NOMAC Limited, will transfer their shares in NOMAC Limited to NOMAC Holding Company and NOMAC Limited will subsequently be converted into a closed joint stock company incorporated under the laws of the Kingdom of Saudi Arabia. This corporate reorganization will not affect the services or the obligations of NOMAC JSC for which NOMAC Limited is currently responsible.

NOMAC JSC will have full operational responsibility for four of the Projects in the Kingdom of Saudi Arabia (either as an operation and maintenance contractor with respect to three Projects or as a subcontractor for one Project). Two of NOMAC's subsidiaries and one joint venture provide operation and maintenance services to three other Projects in the Kingdom of Saudi Arabia, making NOMAC, its subsidiaries and its joint venture responsible for a portfolio of Projects with contracted power capacity (once the RAWEC Phase II Facilities become operational) of 9,275 MW and contracted desalinated water capacity of 1.4 million cubic meters per day. The table below provides additional information on the provision of operation and maintenance services to eight Projects by NOMAC, two of its subsidiaries and one joint venture.

PROJECT	OPERATION AND MAINTENANCE SERVICE PROVIDER	CONTRACTOR / SUBCONTRACTOR	DESCRIPTION OF THE RELEVANT OPERATION AND MAINTENANCE AGREEMENT
Shuaibah Expansion IWP	NOMAC	Subcontractor	See " <i>—Description of Projects—Shuaibah Expansion IWP / SEPCO—Key Contractual Agreements—Operation and Maintenance Agreement</i> "
Shuqaiq IWPP	NOMAC	Contractor	See " <i>—Description of Projects—Shuqaiq IWPP / SQWEC—Key Contractual Agreements—Operation and Maintenance Agreement</i> "
Qurayyah IPP	NOMAC	Contractor	See " <i>—Description of Projects—Qurayyah IPP / HEPCO—Key Contractual Agreements—Operation and Maintenance Agreement</i> "
Bowarege IWP	NOMAC	Contractor	See " <i>—Description of Projects—Bowarege IWP / Bowarege—Key Contractual Agreements—Operation and Maintenance Agreement</i> "
Rabigh IPP	Rabigh Operation and Maintenance Company	Contractor	See " <i>—Description of Projects—Rabigh IPP / RABEC—Key Contractual Agreements—Operation and Maintenance Agreement</i> "
Marafiq IWPP	Jubail O&M Company	Contractor	See " <i>—Description of Projects—Marafiq IWPP / JWAP—Key Contractual Agreements—Operation and Maintenance Agreement</i> "
RAWEC IWSP	Rabigh Power Company	Contractor	See " <i>—Description of Projects—RAWEC IWSP / RAWEC—Key Contractual Agreements—Operation and Maintenance Agreement</i> "

Shareholding Structure

Currently, APP owns 99% of the shares of NOMAC Limited directly, and ACWA Power owns the remaining 1% of the shares of NOMAC Limited indirectly through Projects Acquisition Company.

The following table sets out the shareholding interests in NOMAC's subsidiary Rabigh Operation and Maintenance Company.

<u>ENTITY</u>	<u>PERCENTAGE INTEREST</u>
	(%)
NOMAC Limited	60
KOWEPO	<u>40</u>
Total	<u>100</u>

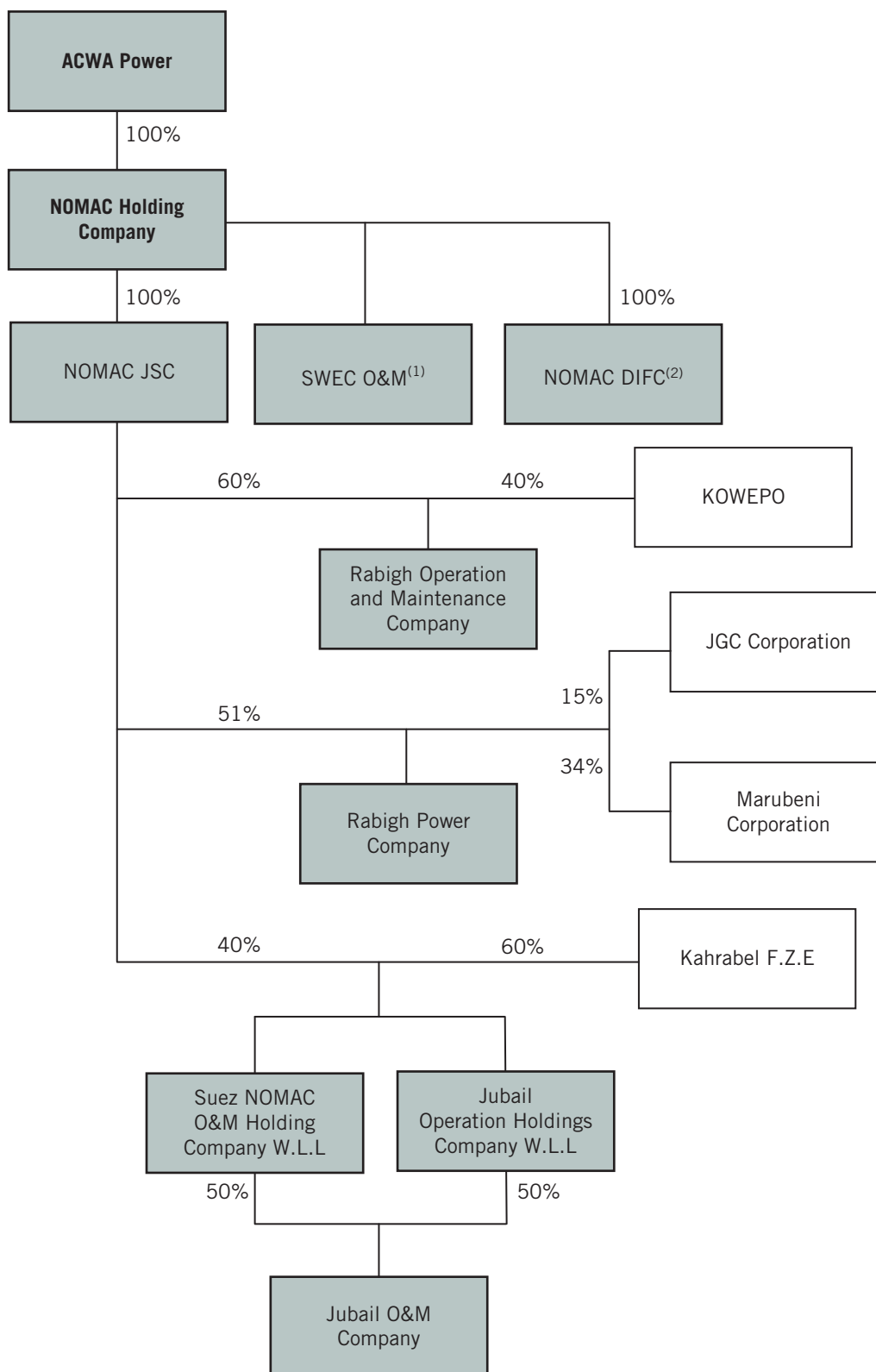
The following table sets out the shareholding interests in NOMAC's subsidiary Rabigh Power Company.

<u>ENTITY</u>	<u>PERCENTAGE INTEREST</u>
	(%)
NOMAC Limited	51
Marubeni Corporation	34
JGC Corporation	<u>15</u>
Total	<u>100</u>

The following table sets out the shareholding interests in NOMAC's joint venture Jubail O&M Company.

<u>ENTITY</u>	<u>PERCENTAGE INTEREST</u>
	(%)
NOMAC Limited	40
Kahrabel F.Z.E	<u>60</u>
Total	<u>100</u>

The following chart shows ACWA Power’s shareholdings in NOMAC JSC, two of its subsidiaries and one joint venture that provide operation and maintenance services to three Projects and two of NOMAC’s sister companies following the completion of the NOMAC Restructuring. Shaded entities in the chart are ACWA Power and its affiliates.



Notes:

(1) This company is expected to provide operation and maintenance services to the Shuaibah IWPP.

(2) This company and its subsidiaries are expected to be used to provide operation and maintenance services through its subsidiaries to ACWA Power Group’s plants located outside of the Kingdom of Saudi Arabia.

Licenses and Permits

APP, NOMAC and each of the Project Companies has secured all the requisite operational, industrial and other licenses from the competent Saudi Arabian authorities to be able to carry out its business activities. These include cogeneration licenses, where applicable, generation licenses or water desalination licenses granted to the Project Companies by the Electricity Cogeneration Regulatory Authority of the Kingdom of Saudi Arabia (“ECRA”).

The following table shows certain information about cogeneration and generation licenses issued by ECRA.

<u>LICENSEE (PROJECT)</u>	<u>TYPE OF LICENSE</u>	<u>YEAR</u>	<u>LICENSE PERIOD</u> (in years)
SQWEC (Shuqaiq IWPP)	cogeneration	2007	25
SWEC (Shuaibah IWPP)	cogeneration	2007	25
JWAP (Marafiq IWPP)	cogeneration	2008	25
RAWEC (RAWEC IWSPP)	cogeneration	2008	25
RABEC (Rabigh IPP)	electricity generation	2009	25
HEPCO (Qurayyah IPP)	electricity generation	2011	25

In addition, two Project Companies that produce desalinated water (SEPCO and Bowarege) have licenses to conduct seawater desalination activity granted by ECRA. These are granted on an annual basis.

As of the date of this Offering Memorandum, each of APP, its subsidiaries, affiliates and joint ventures, NOMAC and the Project Companies that requires a valid SAGIA license has such license.

Applicable licenses and permits also include commercial registration certificates from the Ministry of Commerce and Industry in Saudi Arabia, labor office registrations and custom exemptions, among others.

Environment and Safety

The APP Group and the Project Companies are subject to environmental, health and safety laws in the Kingdom of Saudi Arabia. Under the relevant PPAs, PWPAs or WPAs, most of the Project Companies have certain protections from changes in environmental regulations coming into effect after the bidding date of the respective Project whereby the Purchaser will be liable to compensate the Project Companies for certain amounts. In order to comply with the legal requirements relating to health, safety and environment (“HSE”) in the Kingdom of Saudi Arabia, the ACWA Power Group’s HSE policy includes a commitment to provide HSE training to employees, set standards to promote and ensure the best practicable HSE performance across the APP Group’s operations in the Kingdom of Saudi Arabia, members of the APP Group’s supply chain and Project Companies and regular monitoring, reporting on and review of the ACWA Power Group’s HSE management and performance.

The management of the ACWA Power Group believes that its operations in the Kingdom of Saudi Arabia and its Project Companies currently possess the necessary environmental or health and safety permits and licenses required for the APP Group’s and Project Companies’ operations and, so far as it is aware, the APP Group is, and the Project Companies are, in compliance with all applicable environmental and health and safety standards and regulations. Furthermore, neither the APP Group nor the Project Companies have been subject to, nor is the management of the ACWA Power Group aware of, any pending, legal action or fines relating to HSE management or performance.

The ACWA Power Group holds HSE workshops for HSE managers and officers from all sites across its portfolio biannually.

Employees

As of February 28, 2017, the APP Group had 1,596 employees (most of which were NOMAC’s employees), of which 1,266 were based in the Kingdom of Saudi Arabia.

As of February 28, 2017, we had not yet commenced operations and, therefore, had no employees.

As of February 28, 2017, the Project Companies had a total of 118 employees.

There are no collective bargaining agreements in place and none of the APP Group’s or the Project Companies’ employees are unionized. There have been no significant labor disputes, strikes or work stoppages at any of the Project Companies and ACWA Power’s management believes that it has a good relationship with all its employees.

Legal Proceedings and Disputes

Neither we nor the APP Group nor the Project Companies are currently a party to any material legal proceedings.

HEPCO is currently involved in a dispute with SEC about the Project's commercial operation date for the Qurayyah IPP. Under the Qurayyah PPA, the power plant was scheduled to achieve commercial operations on June 30, 2014. Because of delays in construction (see "*Description of the Projects and NOMAC's Operations—Description of Projects—Qurayyah IPP / HEPCO—Overview*"), HEPCO requested SEC to grant an extension to the time of completion, which was not granted by SEC. HEPCO issued a notice of dispute on April 26, 2015 under the dispute resolution procedure of the Qurayyah PPA. SEC acknowledged the notice of dispute and, in return, SEC issued a notice of dispute on May 7, 2015. Both SEC and HEPCO remain in discussions with respect to this dispute. Recently, consensus has been reached on an in-principle agreement with SEC and the EPC contractor, though a final agreement has not yet been executed.

The APP Group is involved in a dispute with WEC with respect to inflation indexation provisions in the SEPCO WPA, SWEC PWPA and SQWEC PWPA. Payments under these agreements are indexed to Saudi Arabian and U.S. inflation indices on an annual basis. When the Saudi Arabia inflation index was rebased, such change had adverse economic consequences for all Project Companies due to loss in revenue. Following this change, ACWA Power approached all offtakers for the Project Companies with a view to reduce the adverse impact of this change and was able to reach compromise solutions to this issue with all offtakers other than WEC. WEC is the offtaker for the Shuaibah Expansion IWP, Shuaibah IWPP and SQWEC IWPP and, thus far, it refused to make any changes in the indexation provisions in the SEPCO WPA, SWEC PWPA and SQWEC PWPA. ACWA Power continues negotiations with WEC on this matter.

The General Authority of Zakat and Tax of the Kingdom of Saudi Arabia ("**GAZT**") issued an assessment against NOMAC for the years ended December 31, 2008, 2009, 2010, 2011 and 2012 for an aggregate amount of SAR 7,743,215 (Zakat liability of SAR 7,341,897 and withholding tax liability of SAR 401,318) on February 8, 2016. NOMAC submitted an appeal with respect to this assessment to the Preliminary Appeal Committee within 60 days and is currently waiting for the outcome of its appeal. NOMAC made a provision of SAR 0.5 million with respect to this assessment.

During 2016, SWEC received preliminary assessment orders from GAZT for the years 2004 to 2014 claiming additional zakat, income tax and withholding tax in the amount of SAR 88.49 million. SWEC has raised an objection against these preliminary assessment orders to GAZT. No provision has been recorded in the financial statements of SWEC as of and for the year ended December 31, 2016 as SWEC's management currently expects of a favorable outcome of this dispute with GAZT.

RABEC and GAZT have been in a dispute with respect to the period ended December 31, 2010 and the years ended December 31, 2011 to 2013. GAZT assessed SAR 42 million towards zakat, SAR 2 million towards corporate tax, SAR 38 million towards withholding tax and 1% delay fine for delay in settling the corporate tax and withholding tax. RABEC has submitted an appeal against GAZT's assessment. Based on supporting documents and clarifications provided in the appeal memorandum submitted to GAZT, RABEC's management believes that there should not be any additional liability arising from adjustments made by GAZT. RABEC is currently expected to have the first meeting with the Preliminary Appeal Committee in the second quarter of 2017.

SUMMARY OF THE FINANCIAL MODEL

The following summary of the Financial Model should be read together with the information contained in “Disclosure Regarding Forward-Looking Statements,” “Risk Factors,” “Selected Historical Financial and Other Information,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “NOMAC Restructuring” and the Financial Statements and related notes included elsewhere in this Offering Memorandum.

The forward-looking statements, including projections derived from the Financial Model included in this section are not guarantees of future performance and actual results of the APP Group, NOMAC and the Project Companies could differ materially from the projections included in this section. Numerous factors could cause or contribute to such differences. See “Risk Factors—Risks Related to the APP Group, Projects and NOMAC—The Project Companies’, NOMAC’s and the APP Group’s financial results will differ from, and could be worse than, the results forecasted to be achieved by these entities in the Financial Model.”

Overview

For the purposes of this Offering, we have prepared the Financial Model that is summarized in this section. The Financial Model is not included in this Offering Memorandum.

The Financial Model is based on a number of assumptions, including, without limitation, with respect to (i) macroeconomic factors, (ii) revenue, costs and expenses for each Project Company, (iii) payments with respect to the outstanding debt related to each Project, (iv) operation and maintenance fees to be received by NOMAC, two of its subsidiaries and one joint venture for their operation and maintenance services to be provided to seven Projects and the Rabigh 2 IPP and their operating expenses, (v) net distributions from each Project Company and from NOMAC (taking into account the prepayment in full of certain existing loan facilities as set forth in “Use of Proceeds,” including, in particular, the full prepayment of APP’s portion of the loans from National Commercial Bank and Mizuho Bank, Ltd. to NOVA and assuming that NOVA will provide an irrevocable payment undertaking requiring it to pay to the Collection Account and the collection account in relation to the Trust Certificates on a *pro rata* basis all dividends to be paid to APGS by NOVA and APGS’s 33.33% share of all affiliate loan repayments received by NOVA from SGA Marafiq Holding W.L.L. See “Description of Certain other Financing Arrangements of Project Companies—Equity Bridge Loans—Loans to SGA Marafiq Holdings”), (vi) taxation, (vii) no legal proceedings or material disputes, (viii) our costs and expenses, (ix) inflation, (x) interest rates, (xi) working capital adjustments and (xii) other cash flows securing our obligations under the Bonds.

Neither the Financial Model nor any information derived from the Financial Model and included in this Offering Memorandum constitutes projections, profit forecasts or predictions of future results. The Financial Model simply illustrates hypothetical results that are mathematically derived from specified assumptions. The Financial Model was developed by the APP Group as a financial forecasting and evaluation tool and not as an operational model. Consequently, the Financial Model does not allow comparisons of actual results against forecasts and does not include an ongoing budget comparison. See “Disclosure Regarding Forward-Looking Statements.”

Information derived from the Financial Model and included in this Offering Memorandum should not be regarded as a representation by us, any member of the ACWA Power Group, any Initial Purchaser or any other person that the hypothetical results set forth in the Financial Model will actually be achieved. Actual capacity, availability, dispatch and production levels, heat-rate, the Project Companies’ and NOMAC’s operating, maintenance and capital costs, as well as interest and inflation rates, will differ from those used in the Financial Model. Accordingly, the actual performance and cash flows of the Project Companies and NOMAC and, consequently, the Issuer, for any given future period will differ significantly from those set forth in the Financial Model and summarized herein. Prospective purchasers are cautioned not to place undue reliance on any information derived from the Financial Model and should make their own independent assessment of our future results of operations, cash flows and financial condition of the Project Companies, NOMAC and the Issuer. See “Risk Factors—Risks Related to the APP Group, Projects and NOMAC—The Project Companies’, NOMAC’s and the APP Group’s financial results will differ from, and could be worse than, the results forecasted to be achieved by these entities in the Financial Model.”

EY has neither examined, compiled nor performed any procedures with respect to the prospective financial information contained in this Offering Memorandum, including the information derived from the Financial Model, and accordingly, EY does not express an opinion or any other form of assurance on such or the achievability of the Financial Model. EY assumes no responsibility for and denies any association with any prospective financial information and any other information derived therefrom included elsewhere in this Offering Memorandum.

An internationally recognized advisory firm has been engaged by ACWA Power to review the Financial Model. The review report prepared by such advisory firm is not included in this Offering Memorandum.

ACWA Power intends to sell an 8% indirect ownership stake in SQWEC. It has entered into an agreement with the Apicorp, under which Apicorp agreed to acquire 13.3% of the shares of Shuqaiq International Water and Electricity Company. The 13.3% stake in Shuqaiq International Water and Electricity Company gives Apicorp an 8% effective ownership stake in SQWEC. The closing of this transaction is subject to customary approvals and is expected to occur in the second quarter of 2017. The Financial Model assumes a 32% ownership stake of ACWA Power in SQWEC (rather than ACWA Power's actual 40% legal ownership share in SQWEC as of the date of this Offering Memorandum). ACWA Power also intends to sell up to a 3% indirect ownership stake in RABEC in the near future. While there is currently no definitive agreement for the sale of such effective ownership stake in RABEC, the Financial Model assumes a 37% indirect ownership stake of ACWA Power in RABEC (rather than ACWA Power's actual 40% indirect ownership share in RABEC as of the date of this Offering Memorandum).

All figures in this section are presented on an annual basis and/or as of December 31 of the relevant year, as specified. The Financial Model has been prepared in U.S. dollars using an exchange rate of SAR 3.75 = US\$1.00 as described under "*Presentation of Financial and Other Information.*" See "*Risk Factors—Risks Related to the APP Group, Projects and NOMAC—The operations of the APP Group, Project Companies and NOMAC could be adversely affected if the Saudi riyal/U.S. dollar peg were to be removed or adjusted or if the euro appreciates against the U.S. dollar and the Saudi riyal.*" Regarding inflation indices, the Financial Model assumes that the Consumer Price Index published by the Bureau of Labor Statistics of the Department of Labor will be 2% for the United States, and the inflation rate index published by the Saudi Arabian Monetary Authority will be 3% for the Kingdom of Saudi Arabia, for each year from 2017 through 2039.

Key Assumptions on the Issuer's Cash Flows

The following table sets out our assumptions about the effective share of distributions that APP (with respect to each of the Project Companies) or ACWA Power (with respect to NOMAC) is expected to be entitled to receive during the period from 2017 through 2039, all of which will be assigned to the Onshore Bond Security Agent or Offshore Bond Security Agent, as appropriate, for the benefit of the Bondholders, as well as about the Issuer's aggregate expenses during this period.

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
	(in US\$ millions)																						
SEPCO	2	1	1	1	1	1	1	1	1	1	4	6	6	2	—	—	—	—	—	—	—	—	—
SWEC	15	20	19	22	26	22	27	37	34	55	76	74	78	46	—	—	—	—	—	—	—	—	—
JWAP	13	14	16	20	24	22	20	17	18	17	16	14	38	61	17	—	—	—	—	—	—	—	—
SQWEC	6	8	11	10	12	14	8	11	12	10	11	13	31	55	23	—	—	—	—	—	—	—	—
RABEC	12	13	14	14	13	13	14	15	15	16	16	16	15	16	17	18	35	—	—	—	—	—	—
HEPCO	14	4	4	3	4	8	7	6	3	3	6	5	2	(0)	(0)	3	(0)	27	29	16	—	—	—
BOWARAGE	4	17	4	8	6	4	5	5	2	5	6	11	1	—	—	—	—	—	—	—	—	—	—
RAWEC	28	25	11	11	13	15	26	48	47	46	45	45	45	45	59	75	83	30	36	38	36	37	37
Total from Project Companies ..	95	102	81	89	98	99	109	141	134	154	179	185	216	224	115	96	118	57	65	53	36	37	37
NOMAC (including assigned fees)	39	43	43	42	42	45	44	52	43	47	50	55	50	51	40	34	34	28	25	25	11	3	3
Total from Project Companies and NOMAC	133	146	123	132	140	144	153	193	177	201	229	240	266	275	155	129	152	86	89	79	47	39	40
Issuer's expenses	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)

Certain additional assumptions used in the Financial Model, including estimated revenues and operating expenses at the level of NOMAC and the Project Companies, indebtedness of the Project Companies and their debt service from the period from 2017 through 2039 are set out below in "—Summary of Significant Base Case Assumptions from the Financial Model."

Summary of Significant Base Case Assumptions from the Financial Model

The Financial Model is based on a number of assumptions, including, without limitation, with respect to (i) macroeconomic factors, (ii) revenue, costs and expenses for each Project Company, (iii) payments with respect to the outstanding debt related to each Project, (iv) operation and maintenance fees to be received by NOMAC, two of its subsidiaries and one joint venture for their operation and maintenance services to be provided to seven Projects and the Rabigh 2 IPP and their operating expenses, (v) net distributions from each Project Company and from NOMAC (taking into account the prepayment in full of certain existing loan facilities as set forth in “Use of Proceeds,” including, in particular, the full prepayment of APP’s portion of the loans from National Commercial Bank and Mizuho Bank, Ltd. to NOVA and assuming that NOVA will provide an irrevocable payment undertaking requiring it to pay to the Collection Account all dividends to be paid to APGS by NOVA and APGS’s 33.33% share of all affiliate loan repayments received by NOVA from SGA Marafiq Holding W.L.L. To the extent any Trust Certificates, which are permitted under the Indenture, are issued after the Issue Date, this irrevocable payment undertaking will be replaced with irrevocable payment undertakings directing that such payments will be paid to the Collection Account and the collection account in relation to the Trust Certificates on a pro rata basis based on the aggregate principal amount of the Bonds and Additional Bonds, if any, issued and outstanding and the face amount of any Trust Certificates issued and outstanding. See “*Description of Certain other Financing Arrangements of Project Companies—Equity Bridge Loans—Loans to SGA Marafiq Holdings*”), (vi) taxation, (vii) no legal proceedings or material disputes, (viii) our costs and expenses, (ix) inflation, (x) interest rates, (xi) working capital adjustments and (xii) other cash flows securing the obligations under the Bonds.

Furthermore, the Financial Model assumes no corporate taxes at the level of the Issuer, as we are incorporated and tax resident in the DIFC, and there are no taxes on the income or profits of DIFC companies. See “*Risk Factors—Risks Related to Investments in Companies Operating in the Kingdom of Saudi Arabia—We and the Bondholders may be exposed to certain tax jurisdiction risks.*” The Project Companies are subject to tax and zakat in the Kingdom of Saudi Arabia.

The Base Case cash flows produced by the Financial Model are summarized on the table below.

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	
	(in US\$ millions)																							
SEPCO																								
Revenues	40	41	41	41	42	42	42	43	43	43	44	44	45	13	—	—	—	—	—	—	—	—	—	—
Operating expenses	(17)	(18)	(18)	(19)	(19)	(20)	(20)	(21)	(21)	(22)	(22)	(23)	(24)	(7)	—	—	—	—	—	—	—	—	—	—
Outstanding debt ⁽¹⁾	121	111	101	90	79	67	54	40	25	9	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Debt service	(18)	(18)	(18)	(18)	(18)	(18)	(18)	(18)	(18)	(18)	(9)	(0)	(0)	(3)	—	—	—	—	—	—	—	—	—	—
Proportional debt service	(6)	(6)	(6)	(6)	(5)	(5)	(5)	(5)	(5)	(5)	(3)	(0)	(0)	(1)	—	—	—	—	—	—	—	—	—	—
Working capital changes	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	—	—	—	—	—	—	—	—	—	—	—
Tax	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	—	—	—	—	—	—	—	—	—	—
Dividends to the Issuer	2	1	1	1	1	1	1	1	1	1	4	6	6	2	—	—	—	—	—	—	—	—	—	—
SWEC																								
Revenues	303	299	300	307	291	292	309	306	306	313	304	306	316	160	—	—	—	—	—	—	—	—	—	—
Operating expenses	(41)	(38)	(39)	(41)	(41)	(42)	(43)	(44)	(45)	(46)	(47)	(48)	(49)	(25)	—	—	—	—	—	—	—	—	—	—
Outstanding debt ⁽¹⁾	1,153	1,040	913	780	662	516	363	236	100	25	25	25	25	—	—	—	—	—	—	—	—	—	—	—
Debt service	(192)	(182)	(188)	(188)	(165)	(167)	(170)	(134)	(140)	(78)	(2)	(2)	(2)	(26)	—	—	—	—	—	—	—	—	—	—
Proportional debt service	(58)	(55)	(57)	(56)	(50)	(50)	(51)	(40)	(42)	(23)	(1)	(1)	(1)	(8)	—	—	—	—	—	—	—	—	—	—
Working capital changes	(1)	2	(2)	(0)	5	(5)	(0)	2	(2)	(0)	3	(3)	(0)	44	—	—	—	—	—	—	—	—	—	—
Capex	(16)	(10)	(5)	(0)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Tax	(6)	(9)	(9)	(11)	(13)	(12)	(12)	(17)	(17)	(18)	(18)	(17)	(19)	—	—	—	—	—	—	—	—	—	—	—
Dividends to the Issuer	15	20	19	22	26	22	27	37	34	55	76	74	78	46	—	—	—	—	—	—	—	—	—	—
JWAP																								
Revenues	420	419	434	434	436	437	434	435	449	448	452	455	451	450	117	—	—	—	—	—	—	—	—	—
Operating expenses	(105)	(107)	(109)	(112)	(115)	(118)	(120)	(123)	(126)	(129)	(132)	(135)	(138)	(142)	(37)	—	—	—	—	—	—	—	—	—
Outstanding debt ⁽¹⁾	2,038	1,914	1,783	1,644	1,496	1,336	1,164	979	784	577	356	119	—	—	—	—	—	—	—	—	—	—	—	—
Debt service	(247)	(240)	(240)	(217)	(198)	(206)	(214)	(223)	(228)	(233)	(240)	(248)	(122)	—	—	—	—	—	—	—	—	—	—	—
Proportional debt service	(49)	(48)	(48)	(43)	(40)	(41)	(43)	(45)	(46)	(47)	(48)	(50)	(24)	—	—	—	—	—	—	—	—	—	—	—
Working capital changes	2	(2)	(0)	(0)	(0)	(0)	2	(2)	(0)	(0)	(0)	(0)	2	(2)	4	—	—	—	—	—	—	—	—	—
Capex	(1)	(1)	(1)	(1)	(1)	(0)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Tax	(8)	(7)	(8)	(8)	(10)	(12)	(11)	(9)	(8)	(8)	(7)	(6)	(5)	(3)	(6)	—	—	—	—	—	—	—	—	—
Dividends to the Issuer	13	14	16	20	24	22	20	17	18	17	16	14	38	61	17	—	—	—	—	—	—	—	—	—
SQWEC																								
Revenues	209	217	216	216	221	218	212	226	225	224	230	229	226	235	97	—	—	—	—	—	—	—	—	—
Operating expenses	(45)	(46)	(47)	(48)	(49)	(50)	(51)	(52)	(53)	(55)	(56)	(57)	(58)	(60)	(25)	—	—	—	—	—	—	—	—	—
Outstanding debt ⁽¹⁾	1,061	988	919	844	765	692	602	506	409	300	184	66	—	—	—	—	—	—	—	—	—	—	—	—
Debt service	(142)	(144)	(135)	(136)	(134)	(123)	(136)	(136)	(131)	(135)	(136)	(129)	(68)	—	—	—	—	—	—	—	—	—	—	—
Proportional debt service	(46)	(46)	(43)	(44)	(43)	(39)	(43)	(43)	(42)	(43)	(43)	(41)	(22)	—	—	—	—	—	—	—	—	—	—	—
Working capital changes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(0)	—	—	—	—	—	—	—	—	—
Capex	(0)	(0)	(0)	(0)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Tax	(1)	(1)	(1)	(1)	(2)	(2)	(2)	(2)	(2)	(2)	(3)	(3)	(3)	(3)	—	—	—	—	—	—	—	—	—	—
Dividends to the Issuer	6	8	11	10	12	14	8	11	12	10	11	13	31	55	23	—	—	—	—	—	—	—	—	—

(in US\$ millions)

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
RABEC																							
Revenues	249	250	255	257	246	252	267	269	266	268	273	272	258	262	278	280	133						
Operating expenses	(35)	(36)	(37)	(39)	(42)	(42)	(41)	(43)	(44)	(45)	(46)	(49)	(52)	(51)	(51)	(52)	(26)						
Outstanding debt ⁽¹⁾	1,809	1,732	1,647	1,556	1,474	1,387	1,279	1,174	1,063	947	821	689	568	440	287	128							
Debt service	(181)	(179)	(180)	(181)	(169)	(172)	(185)	(183)	(176)	(176)	(180)	(177)	(162)	(163)	(176)	(174)	(16)						
Proportional debt service	(67)	(66)	(67)	(67)	(63)	(64)	(68)	(68)	(65)	(65)	(67)	(66)	(60)	(60)	(65)	(65)	(6)						
Working capital changes	5	(0)	(0)	1	(0)	(1)	(0)	0	(0)	(0)	(0)	1	(0)	(1)	(0)	0	38						
Capex	(6)	(1)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—						
Tax	—	—	(2)	(3)	(4)	(5)	(7)	(8)	(9)	(10)	(12)	(13)	(12)	(13)	(15)	(16)	(17)						
Dividends to the Issuer	12	13	14	14	13	13	14	15	15	16	16	16	15	16	17	18	35						
HEPCO																							
Revenues	267	268	270	272	277	282	281	279	275	285	293	293	293	293	300	306	304	309	308	150			
Operating expenses	(101)	(88)	(90)	(92)	(94)	(96)	(99)	(101)	(103)	(105)	(108)	(110)	(113)	(115)	(118)	(121)	(123)	(126)	(129)	(66)			
Outstanding debt ⁽¹⁾	1,822	1,758	1,687	1,610	1,536	1,456	1,382	1,304	1,217	1,132	1,039	947	844	716	586	446	295	217	212	206			
Debt service	(143)	(152)	(156)	(163)	(156)	(142)	(139)	(143)	(151)	(153)	(147)	(150)	(160)	(174)	(174)	(172)	(176)	(16)	(11)	(20)			
Proportional debt service	(25)	(27)	(27)	(29)	(27)	(25)	(24)	(25)	(26)	(27)	(26)	(26)	(28)	(30)	(30)	(30)	(31)	(3)	(2)	(4)			
Working capital changes	2	(3)	1	0	(2)	2	1	3	1	(4)	2	0	2	1	(2)	2	1	(1)	5	27			
Capex	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—			
Tax	(1)	(0)	(0)	(1)	(1)	(1)	(2)	(2)	(2)	(2)	(3)	(4)	(4)	(4)	(5)	(6)	(6)	(7)	(7)	(1)			
Dividends to the Issuer	14	4	4	3	4	8	7	6	3	3	6	5	2	(0)	(0)	3	(0)	27	29	16			
BOWARAGE																							
Revenues	36	36	36	44	36	36	32	36	36	29	36	36	—	—	—	—	—	—	—	—			
Operating expenses	(18)	(18)	(19)	(19)	(20)	(19)	(20)	(21)	(20)	(22)	(22)	—	—	—	—	—	—	—	—	—			
Outstanding debt ⁽¹⁾	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—			
Debt service	(7)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—			
Proportional debt service	0	(0)	0	0	0	0	(0)	0	0	(0)	0	1	—	—	—	—	—	—	—	—			
Working capital changes	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—			
Capex	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—			
Tax	—	—	(1)	(0)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)			
Dividends to the Issuer	4	17	4	8	6	4	5	5	2	5	6	11	—	—	—	—	—	—	—	—			
RAWEC																							
Revenues	309	312	311	317	319	322	324	328	330	333	336	340	342	345	348	353	242	158	159	161	162	164	166
Operating expenses	(91)	(83)	(93)	(94)	(94)	(96)	(98)	(101)	(103)	(105)	(108)	(110)	(113)	(115)	(118)	(121)	(103)	(46)	(46)	(47)	(47)	(48)	(49)
Outstanding debt ⁽¹⁾	1,215	1,109	996	875	749	615	504	446	386	323	256	185	112	34	—	—	—	—	—	—	—	—	—
Debt service	(178)	(175)	(175)	(177)	(174)	(175)	(145)	(86)	(85)	(85)	(84)	(84)	(84)	(83)	(35)	—	—	—	—	—	—	—	—
Proportional debt service	(66)	(65)	(65)	(66)	(65)	(65)	(54)	(32)	(32)	(31)	(31)	(31)	(31)	(31)	(13)	—	—	—	—	—	—	—	—
Working capital changes	(1)	(1)	2	(1)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(11)	(0)	21	(3)	(0)	(0)	(0)	(0)	(0)
Capex	(9)	(7)	(7)	(7)	(7)	(9)	(10)	(12)	(14)	(17)	(22)	(22)	(23)	(24)	(25)	(27)	(29)	(26)	(15)	(11)	(15)	(16)	(16)
Tax	(6)	(7)	(7)	(7)	(8)	(9)	(10)	(12)	(14)	(17)	(22)	(22)	(23)	(24)	(25)	(27)	(29)	(26)	(15)	(11)	(15)	(16)	(16)
Dividends to the Issuer	28	25	11	11	13	15	26	48	47	46	45	45	45	45	59	75	83	30	36	38	36	37	37
NOMAC																							
Revenues	119	123	126	129	132	135	139	142	145	149	153	143	148	133	103	88	91	94	96	—	—	—	—
Operating expenses	(98)	(101)	(106)	(104)	(109)	(111)	(123)	(112)	(129)	(123)	(127)	(114)	(127)	(113)	(94)	(84)	(87)	(95)	(99)	—	—	—	—
Dividends received ⁽²⁾	5	7	7	5	5	7	8	7	7	8	8	6	6	9	9	9	6	6	1	—	—	—	—
Net working capital adjustment	2	(0)	0	(1)	0	(0)	2	(4)	3	(2)	(0)	(1)	2	(0)	3	1	0	1	0	—	—	—	—
Capex	(3)	(1)	(1)	(3)	(4)	(4)	(0)	(1)	(3)	(4)	(4)	(1)	(1)	(2)	(4)	(4)	(1)	(2)	(2)	—	—	—	—
Tax	(0)	(0)	(0)	(1)	(1)	(1)	(0)	(1)	(0)	(1)	(1)	(1)	(0)	(0)	(0)	(0)	(0)	0	0	—	—	—	—
Dividends to the Issuer	23	26	25	25	24	26	24	32	23	27	30	33	27	27	17	10	10	4	—	—	—	—	—
Total assigned fee income	16	18	17	17	18	19	20	20	20	20	21	22	23	23	23	23	24	24	25	25	11	3	3

2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033 2034 2035 2036 2037 2038 2039

	(in US\$ millions)																						
Issuer																							
Amounts received as dividends and other cash flows	133	146	123	132	140	144	153	193	177	201	229	240	266	275	155	129	152	86	89	79	47	39	40
Operating expenses	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Cash flow available for debt service	133	146	123	132	140	144	153	193	177	200	229	239	266	275	155	129	151	86	89	78	47	39	40
Principal repayments	—	—	—	—	(2)	(0)	(6)	(40)	(30)	(51)	(74)	(86)	(113)	(127)	(68)	(54)	(70)	(38)	(33)	(12)	(4)	(3)	(4)
Interest costs	(30)	(48)	(48)	(48)	(48)	(48)	(48)	(47)	(45)	(43)	(40)	(35)	(30)	(23)	(16)	(12)	(9)	(5)	(3)	(1)	(1)	(0)	(0)
Total debt service	(30)	(48)	(48)	(48)	(50)	(48)	(54)	(87)	(75)	(95)	(114)	(121)	(143)	(149)	(84)	(66)	(79)	(43)	(36)	(13)	(5)	(4)	(4)
DSCR(4)	4.39x	3.01x	2.55x	2.72x	2.80x	2.97x	2.82x	2.22x	2.37x	2.11x	2.01x	1.97x	1.86x	1.84x	1.85x	1.96x	1.92x	2.01x	2.51x	6.12x	10.09x	10.40x	10.05x
Cash Flow to Equity(5)	103	97	75	83	90	95	98	106	103	106	115	118	123	125	71	63	73	43	54	66	42	35	36
Outstanding debt(1)(3)	814	814	814	814	813	812	807	767	737	686	612	525	413	286	218	164	93	56	23	11	7	4	-

Notes:

- (1) Data on outstanding debt is provided as of December 31 of each year.
- (2) Consisting of dividends to be received by NOMAC from its two subsidiaries, Rabigh Power Company and Rabigh Operation and Maintenance Company, and one joint venture, Jubail O&M Company, that provide operation and maintenance services to RAWEC, RABEC and JWAP, respectively.
- (3) Assumption reflects the total proceeds of the Offering.
- (4) DSCR means debt service coverage ratio, in relation to the Issuer.
- (5) Cash flow to equity means amounts received and available to the Issuer and APMI Two after making scheduled payments by the Issuer (principal and interest).

The debt service coverage ratios (“DSCRs”) test our ability to make payments on the Bonds with revenues derived from the Project Companies and NOMAC. See “Description of the Bonds” for details on how the DSCRs are calculated.

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In the Base Case, the minimum 12-month DSCR is 1.84x and average 12-month DSCR is 3.64x.

The following table sets out average dividends and average proportional debt service for each Project Company and average dividends and assigned fees for NOMAC calculated over the life of each Project or over the period from 2017 to 2039 for NOMAC.

	SEPCO (SHUAIBAH EXPANSION IWP)	SWEC (SHUAIBAH IWPP)	JWAP (MARAFIQ IWPP)	SGWEC (SHUQAIQ IWPP)	RABEC (RABIGH IPP)	HEPCO (QURAYYAH IPP)	BOWAREGE (BOWAREGE IWP)	RAWEC (RAWEC IWSP)	NOMAC
Average dividends expected to be paid by Project Companies and average dividends and assigned fees expected to be paid by NOMAC (in US\$ million)	2.2	39.4	21.8	15.7	16.0	7.3	6.0	38.3	36.9
Average proportional debt service(1) of Project Companies (in US\$ million)	4.2	35.0	43.9	41.5	61.6	23.6	6.6	45.0	n/a

Note:

- (1) Proportional debt service takes into account the relative ownership stake of APP in the Projects.

Changing the Base Case assumptions on which the Financial Model is run (including the amount of debt incurred by us) would change the DSCRs shown above, in some cases, materially and adversely. See “Risk Factors—Risks Related to the APP Group, Projects and NOMAC—The Project Companies’, NOMAC’s and the APP Group’s financial results will differ from, and could be worse than, the results forecasted to be achieved by those entities in the Financial Model.”

Sensitivity Cases

We believe that it is best practice to carry out some sensitivities against the Base Case assumptions outlined in the Financial Model. The sensitivities have been carried out to test our ability to meet our debt service obligations under certain downside scenarios and include:

- a 10% increase in operating and maintenance expenses, aggregate across all of the Projects, with no liquidated damages from the operation and maintenance contractors;
- a heat rate degradation increase of 3% in aggregate across all of the Projects;
- a 3% aggregate power and water availability shortfall across all Projects; and
- a combined downside case assuming a 10% operation and maintenance costs increase, a 3% aggregate increase in heat rate degradation and a 3% availability decrease, in each case as referred to above.

The following table sets out information on the minimum 12-month forecasted DSCR and the average 12-month forecasted DSCR for the Base Case and the four sensitivity cases.

	<u>MINIMUM DSCR</u>	<u>AVERAGE DSCR</u>
	<u>(12-month period)</u>	
Base Case	1.84x	3.64x
Sensitivities		
10% aggregate increase in operation and maintenance expenses across all Projects ⁽¹⁾	1.77x	3.62x
3% aggregate increase in heat rate degradation across all Projects	1.83x	3.59x
3% aggregate power and water availability shortfall across all Projects	1.67x	3.33x
Combined downside case (all of the above)	1.84x	3.64x

⁽¹⁾ Excludes the impact of the receipt of liquidated damages from the operation and maintenance contractors.

SELECTED HISTORICAL FINANCIAL AND OTHER INFORMATION

The selected financial and other data presented below should be read in conjunction with the sections “Presentation of Financial and Other Information,” “Use of Proceeds,” “Capitalization,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Description of Certain Other Financing Arrangements of Restricted Companies,” “Description of Certain Other Financing Arrangements of Project Companies” and “NOMAC Restructuring,” as well as the Financial Statements, together with the notes thereto, included in the F-pages of this Offering Memorandum.

Selected Consolidated Financial Information of the APP Group

Since we are a newly incorporated company without significant operations, we do not have any historical financial statements and we do not present any of our financial statements in this Offering Memorandum. Going forward, we will be preparing standalone financial statements in accordance with IFRS.

The APP Group special-purpose consolidated financial statement data presented as of and for the year ended December 31, 2014 has been derived from the 2014 Special-Purpose Financial Statements included elsewhere in this Offering Memorandum.

Two sets of APP Group special-purpose consolidated financial statements data as of and for the year ended December 31, 2015 are used in this Offering Memorandum. The first one comes from the 2015 Special-Purpose Financial Statements and the second one comes from the 2016 Special-Purpose Financial Statements, both of which are included elsewhere in this Offering Memorandum. The reason why we believe that both sets of numbers are useful for the potential investors and are, therefore, included in this Offering Memorandum is because of the proposed NOMAC Restructuring. As a result of this restructuring, the balances and results of operations of the NOMAC Group are classified as a disposal group in the 2016 Special-Purpose Financial Statements. Therefore, to allow potential investors to make meaningful comparisons between the APP Group’s results of operations in 2014 and 2015, we use data from the 2015 Special-Purpose Financial Statements, in which the results of operations of the NOMAC Group are not treated as discontinued operations of the APP Group, in the “*Summary*,” “*Selected Historical Financial and Other Information*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” sections of the Offering Memorandum. However, to allow potential investors to make meaningful comparisons between the APP Group’s results of operations in 2015 and 2016, we use data from the 2016 Special-Purpose Financial Statements, in which the results of operations of the NOMAC Group are treated as discontinued operations of the APP Group, in the same sections of the Offering Memorandum. In each case when special-purpose consolidated financial statements data of the APP Group as of and for the year ended December 31, 2015 is used in this Offering Memorandum, we state from which financial statements such data is extracted.

The APP Group special-purpose consolidated financial statement data as of and for the year ended December 31, 2016 has been derived from the 2016 Special-Purpose Financial Statements included elsewhere in this Offering Memorandum.

APP holds (directly or indirectly) a minority stake in each of the Project Companies except Bowarege, which is APP’s consolidated subsidiary. APP Group’s investments in the Project Companies other than Bowarege are accounted for using the equity method of accounting.

NOMAC is a subsidiary of APP and its results of operations are included in the Financial Statements. The NOMAC Group’s results of operations reflect not only the operation and maintenance services provided by it, its two subsidiaries and one joint venture to eight Projects in the Kingdom of Saudi Arabia, but also operation and maintenance services provided by it, its subsidiaries and joint ventures to other projects of the ACWA Power Group located in a number of countries outside of the Kingdom of Saudi Arabia. For information relating to the special-purpose consolidated statement of income data for the NOMAC Group (after intragroup eliminations) for the years ended December 31, 2015 and 2016 extracted from the 2016 Special-Purpose Financial Statements, see “*—Special-Purpose Consolidated Statement of Income Data of the APP Group.*”

For summary information relating to the NOMAC Group’s revenue, costs and other line items attributable to its operations in the Kingdom of Saudi Arabia, to the Shuaibah IWPP, to its operations outside of the Kingdom of Saudi Arabia and management’s estimate of elimination and unallocated corporate items during the years ended December 31, 2015 and 2016, see “*—Additional Selected Consolidated Financial Information of the NOMAC Group.*” The information has been derived from the Financial Statements and accounting records of the APP Group.

The selected historical financial data of the APP Group is presented in Saudi riyals and, unless otherwise specified, is derived from the Financial Statements included elsewhere in this Offering Memorandum.

Special-Purpose Consolidated Statement of Income Data of the APP Group

The following table sets forth special-purpose consolidated statement of income data for the APP Group for the years ended December 31, 2014 and 2015 extracted from the 2014 Special-Purpose Financial Statements and 2015 Special-Purpose Financial Statements, respectively. For the year ended December 31, 2015, the NOMAC Group is not treated as discontinued operations of the APP Group.

	YEAR ENDED DECEMBER 31,	
	2014	2015
	(in SAR thousand)	
Revenue	717,892	1,201,112
Operating costs	(493,855)	(871,157)
Gross profit	224,037	329,955
Share in net income of an associate and joint ventures	364,348	300,525
Development expenses	(4,902)	(158)
General and administration expenses	(135,763)	(165,597)
Income from main operations	447,720	464,725
Write-off of property, plant and equipment	—	n/a
Other income	66,956	10,973
Financial charges	(27,387)	(27,532)
Income before zakat, tax and minority interests	487,289	448,166
Zakat and tax	(6,926)	(18,981)
Income before minority interests	480,363	429,185
Minority interests	(36,793)	(20,015)
Net income for the year	443,570	409,170

The APP Group prepares its financial statements in Saudi riyals. Solely for the convenience of potential investors, the financial information in the table above is also presented in U.S. dollars in the table below, converted at the exchange rate of US\$1 = SAR 3.75. See “Presentation of Financial and Other Information—Financial Information—U.S. Dollar Exchange Rate Convenience Translation.”

	YEAR ENDED DECEMBER 31,	
	2014	2015
	(in US\$ thousand)	
Revenue	191,438	320,297
Operating costs	(131,695)	(232,309)
Gross profit	59,743	87,988
Share in net income of associates and joint ventures	97,159	80,140
Development expenses	(1,307)	(42)
General and administration expenses	(36,203)	(44,159)
Income from main operations	119,392	123,927
Write-off of property, plant and equipment	—	n/a
Other income	17,855	2,926
Financial charges	(7,303)	(7,342)
Income before zakat, tax and minority interests	129,944	119,511
Zakat and tax	(1,847)	(5,062)
Income before minority interests	128,097	114,449
Minority interests	(9,811)	(5,337)
Net income for the year	118,285	109,112

The following table sets forth special-purpose consolidated statement of income data for the APP Group for the years ended December 31, 2015 and 2016 extracted from the 2016 Special-Purpose Financial Statements. For the year ended December 31, 2015, the NOMAC Group is treated as discontinued operations of the APP Group.

	YEAR ENDED DECEMBER 31,	
	2015	2016
	(in SAR thousand)	
Continuing operations		
Revenue	143,187	151,517
Operating costs	(41,638)	(40,719)
Gross profit	101,549	110,798
Share in net income of an associate and joint ventures	285,422	343,771
Development expenses	(158)	—
General and administration expenses	(32,451)	(33,115)
Income from main operations	354,362	421,454
Other income	11,064	55,678
Financial charges	(23,457)	(28,942)
Income before zakat, tax and minority interests	341,969	448,190
Zakat and tax	(2,850)	(1,484)
Income before minority interests and income from discontinued operations	339,119	446,706
Discontinued operations		
Income before minority interests and after tax for the year from discontinued operations	90,066	138,352
	429,185	585,058
Minority interests	(20,015)	(25,303)
Net income for the year	409,170	559,755

The APP Group prepares its financial statements in Saudi riyals. Solely for the convenience of potential investors, the financial information in the table above is also presented in U.S. dollars in the table below, converted at the exchange rate of US\$1 = SAR 3.75. See “Presentation of Financial and Other Information—Financial Information—U.S. Dollar Exchange Rate Convenience Translation.”

	YEAR ENDED DECEMBER 31,	
	2015	2016
	(in US\$ thousand)	
Continuing operations		
Revenue	38,183	40,405
Operating costs	(11,103)	(10,858)
Gross profit	27,080	29,546
Share in net income of an associate and joint ventures	76,113	91,672
Development expenses	(42)	—
General and administration expenses	(8,654)	(8,831)
Income from main operations	94,497	112,388
Other income	2,950	14,847
Financial charges	(6,255)	(7,718)
Income before zakat, tax and minority interests	91,192	119,517
Zakat and tax	(760)	(396)
Income before minority interests and income from discontinued operations	90,432	119,122
Discontinued operations		
Income before minority interests and after tax for the year from discontinued operations	24,018	36,894
	114,449	156,015
Minority interests	(5,337)	(6,747)
Net income for the year	109,112	149,268

The following table sets forth the consolidated statement of income data for the NOMAC Group (after intragroup eliminations) for the years ended December 31, 2015 and 2016 extracted from note 26 (Discontinued Operations) of the 2016 Special-Purpose Financial Statements of the APP Group.

	YEAR ENDED DECEMBER 31,	
	2015	2016
	(in SAR thousand)	
Revenue	1,014,645	1,062,145
Direct costs	(803,989)	(808,145)
Gross profit	210,656	254,000
General and administration expenses	(118,645)	(140,522)
Income from main operations	92,011	113,478
Share of net income in associates and a joint venture	15,845	37,186
Other income	297	2,800
Financial charges	(4,075)	(2,108)
Income before zakat, tax and minority interest	104,078	151,356
Zakat and tax	(14,012)	(13,004)
Income before minority interest	90,066	138,352
Minority interests	(8,604)	(9,755)
Net income for the year	81,462	128,597

The APP Group prepares its financial statements in Saudi riyals. Solely for the convenience of potential investors, the financial information in the table above is also presented in U.S. dollars in the table below, converted at the exchange rate of US\$1 = SAR 3.75. See “*Presentation of Financial and Other Information—Financial Information—U.S. Dollar Exchange Rate Convenience Translation.*”

	YEAR ENDED DECEMBER 31,	
	2015	2016
	(in US\$ thousand)	
Revenue	270,572	283,239
Direct costs	(214,397)	(215,505)
Gross profit	56,175	67,733
General and administration expenses	(31,639)	(37,473)
Income from main operations	24,536	30,261
Share of net income in associates and a joint venture	4,225	9,916
Other income	79	747
Financial charges	(1,087)	(562)
Income before zakat, tax and minority interest	27,754	40,362
Zakat and tax	(3,737)	(3,468)
Income before minority interest	24,018	36,894
Minority interests	(2,294)	(2,601)
Net income for the year	21,723	34,293

Special-Purpose Consolidated Balance Sheet Data of the APP Group

The following table sets forth special-purpose consolidated balance sheet data of the APP Group as of December 31, 2014 and 2015 extracted from the 2014 Special-Purpose Financial Statements and 2015 Special-Purpose Financial Statements, respectively.

	AS OF DECEMBER 31, 2014	AS OF DECEMBER 31, 2015
	(in SAR thousand)	
ASSETS		
Current Assets		
Bank balances and cash	188,159	253,454
Due from related parties	253,158	378,320
Accounts receivable, prepayments and other receivables	114,039	202,631
Inventories	111,472	151,730
Total Current Assets	666,828	986,135
Non-Current Assets		
Due from related parties	237,868	—
Fair value of derivatives	25,875	35,197
Equity investments	13	13
Advances for investment	849,345	—
Investments in associates and joint ventures	611,804	1,352,602
Property, plant and equipment	195,349	178,269
Total Non-Current Assets	1,920,254	1,566,081
Total Assets	2,587,082	2,552,216
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accruals	245,769	366,551
Current portion of long-term loans and facilities	58,143	46,433
Due to related parties	492,332	—
Zakat and income tax payable	7,429	10,923
Total Current Liabilities	803,673	423,907
Non-Current Liabilities		
Due to related parties	687,845	455,330
Long term loans and facilities	420,345	383,372
Employees' terminal benefits	18,395	33,151
Fair value of derivatives	2,327	1,718
Deferred tax liability	1,962	4,601
Deferred revenues and other liabilities	78,267	89,806
Total Non-Current Liabilities	1,209,141	967,978
Total Liabilities	2,012,814	1,391,885
EQUITY		
Shareholders' equity		
Capital	1,377,000	1,377,000
Treasury shares	(40,935)	(40,935)
Statutory reserve	45,357	87,865
Merger reserve	15,132	15,132
Translation reserve	n/a	(4,354)
Retained earnings	328,690	695,962
Total shareholders' equity before cash flow hedge reserve	1,725,244	2,130,670
Cash flow hedge reserve	(1,231,950)	(1,049,751)
Total shareholders' equity	493,294	1,080,919
Minority interests	80,974	79,412
Total equity	574,268	1,160,331
Total Liabilities and Equity	2,587,082	2,552,216

Solely for the convenience of potential investors, the financial information in the table above is also presented in U.S. dollars in the table below, converted at the exchange rate of US\$1 = SAR 3.75. See “Presentation of Financial and Other Information—Financial Information—U.S. Dollar Exchange Rate Convenience Translation.”

	AS OF DECEMBER 31, 2014	AS OF DECEMBER 31, 2015
	(in US\$ thousand)	
ASSETS		
Current Assets		
Bank balances and cash	50,176	67,588
Due from related parties	67,509	100,885
Accounts receivable, prepayments and other receivables	30,410	54,035
Inventories	29,726	40,461
Total Current Assets	177,821	262,969
Non-Current Assets		
Due from related parties	63,431	—
Fair value of derivatives	6,900	9,386
Equity investments	3	3
Advances for investment	226,492	—
Investments in associates and joint ventures	163,148	360,694
Property, plant and equipment	52,093	47,538
Total Non-Current Assets	512,068	417,622
Total Assets	689,889	680,591
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accruals	65,538	97,747
Current portion of long-term loans and facilities	15,505	12,382
Due to related parties	131,289	—
Zakat and income tax payable	1,981	2,913
Total Current Liabilities	214,313	113,042
Non-Current Liabilities		
Due to related parties	183,425	121,421
Long term loans and facilities	112,092	102,233
Employees' terminal benefits	4,905	8,840
Fair value of derivatives	621	458
Deferred tax liability	523	1,227
Deferred revenues and other liabilities	20,871	23,948
Total Non-Current Liabilities	322,438	258,127
Total Liabilities	536,750	371,169
EQUITY		
Shareholders' equity		
Capital	367,200	367,200
Treasury shares	(10,916)	(10,916)
Statutory reserve	12,095	23,431
Merger reserve	4,035	4,035
Translation reserve	n/a	(1,161)
Retained earnings	87,651	185,590
Total shareholders' equity before cash flow hedge reserve	460,065	568,179
Cash flow hedge reserve	(328,520)	(279,934)
Total shareholders' equity	131,545	288,245
Minority interests	21,593	21,177
Total equity	153,138	309,422
Total Liabilities and Equity	689,889	680,591

The following table sets forth special-purpose consolidated balance sheet data for the APP Group as of December 31, 2015 and 2016 extracted from the 2016 Special-Purpose Financial Statements.

	AS OF DECEMBER 31, 2015 ⁽¹⁾	AS OF DECEMBER 31, 2016
	(in SAR thousand)	
ASSETS		
Current Assets		
Bank balances and cash	253,454	181,960
Due from related parties	378,320	66,287
Prepayments and other receivables	204,394	50,535
Inventories	151,730	849
	<u>987,898</u>	<u>299,631</u>
Assets held for sale ⁽²⁾	—	1,024,727
Total Current Assets	987,898	1,324,358
Non-Current Assets		
Due from related parties	37,625	347,554
Fair value of derivatives	35,197	64,047
Available for sale investments	13	13
Investments in associates and joint ventures	1,350,839	1,644,840
Property, plant and equipment	178,269	139,973
Total Non-Current Assets	1,601,943	2,196,427
Total Assets	2,589,841	3,520,785
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accruals	404,176	8,162
Short-term facilities	—	15,000
Current portion of long term loans and facilities	46,433	57,025
Zakat and income tax payable	10,923	1,782
	<u>461,532</u>	<u>81,969</u>
Liabilities associated with the assets held for sale ⁽³⁾	—	673,404
Total Current Liabilities	461,532	755,373
Non-Current Liabilities		
Due to related parties	455,330	112,194
Long term loans and facilities	383,372	322,459
Employees' terminal benefits	33,151	2,718
Financial liabilities	1,718	1,000
Deferred tax liability	4,601	—
Deferred revenues and other liabilities	89,806	27,476
Total Non-Current Liabilities	967,978	465,847
Total Liabilities	1,429,510	1,221,220
EQUITY		
Shareholders' equity		
Capital	1,377,000	1,377,000
Advance against share capital	—	490,000
Treasury shares	(40,935)	(40,935)
Statutory reserve	87,865	143,841
Merger reserve	15,132	15,132
Currency translation reserve	(4,354)	—
Retained earnings	695,962	1,046,394
Reserves associated with discontinued operations	—	(4,800)
Total shareholders' equity before cash flow hedge reserve	2,130,670	3,026,632
Cash flow hedge reserve	(1,049,751)	(817,059)
Total shareholders' equity	1,080,919	2,209,573
Minority interests	79,412	89,992
Total equity	1,160,331	2,299,565
Total Liabilities and Equity	2,589,841	3,520,785

Note:

(1) Due from related parties and accounts payable and accruals as of December 31, 2015 in the 2015 Special-Purpose Financial Statements (nil and SAR 366,551 thousand, respectively) were reclassified in the 2016 Special-Purpose Financial Statements to SAR 37,625 thousand and SAR 404,176 thousand, respectively. The financial information presented in this column as of December 31, 2015 is derived from the 2016 Special-Purpose Financial Statements.

(2) Total assets of the NOMAC Group.

(3) Total liabilities of the NOMAC Group.

The APP Group prepares its financial statements in Saudi riyals. Solely for the convenience of potential investors, the financial information in the table above is also presented in U.S. dollars in the table below, converted at the exchange rate of US\$1 = SAR 3.75. See “Presentation of Financial and Other Information—Financial Information—U.S. Dollar Exchange Rate Convenience Translation.”

	AS OF DECEMBER 31, 2015 ⁽¹⁾	AS OF DECEMBER 31, 2016
	(in US\$ thousand)	
ASSETS		
Current Assets		
Bank balances and cash	67,588	48,523
Due from related parties	100,885	17,677
Prepayments and other receivables	54,505	13,476
Inventories	40,461	226
	<u>263,439</u>	<u>79,902</u>
Assets held for sale ⁽²⁾	—	273,261
Total Current Assets	263,439	353,162
Non-Current Assets		
Due from related parties	10,033	92,681
Fair value of derivatives	9,386	17,079
Available for sale investments	3	3
Investments in associates and joint ventures	360,224	438,624
Property, plant and equipment	47,538	37,326
	<u>427,185</u>	<u>585,714</u>
Total Non-Current Assets	427,185	585,714
Total Assets	690,624	938,876
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accruals	107,780	2,177
Short-term facilities	—	4,000
Current portion of long term loans and facilities	12,382	15,207
Zakat and income tax payable	2,913	475
	<u>123,075</u>	<u>21,858</u>
Liabilities associated with the assets held for sale ⁽³⁾	—	179,574
Total Current Liabilities	123,075	201,433
Non-Current Liabilities		
Due to related parties	121,421	29,918
Long term loans and facilities	102,233	85,989
Employees' terminal benefits	8,840	725
Financial liabilities	458	267
Deferred tax liability	1,227	—
Deferred revenues and other liabilities	23,948	7,327
	<u>258,127</u>	<u>124,226</u>
Total Non-Current Liabilities	258,127	124,226
Total Liabilities	381,203	325,659
EQUITY		
Shareholders' equity		
Capital	367,200	367,200
Advance against share capital	—	130,667
Treasury shares	(10,916)	(10,916)
Statutory reserve	23,431	38,358
Merger reserve	4,035	4,035
Currency translation reserve	(1,161)	—
Retained earnings	185,590	279,038
Reserves associated with discontinued operations	—	(1,280)
	<u>568,179</u>	<u>807,102</u>
Total shareholders' equity before cash flow hedge reserve	568,179	807,102
Cash flow hedge reserve	(279,934)	(217,882)
	<u>288,245</u>	<u>589,219</u>
Total shareholders' equity	288,245	589,219
Minority interests	21,177	23,998
	<u>309,422</u>	<u>613,217</u>
Total equity	309,422	613,217
Total Liabilities and Equity	690,624	938,876

Note:

(1) Due from related parties and accounts payable and accruals as of December 31, 2015 in the 2015 Special-Purpose Financial Statements (nil and SAR 366,551 thousand (US\$97,747 thousand), respectively) were reclassified in the 2016 Special-Purpose Financial Statements to SAR 37,625 thousand (US\$10,033 thousand) and SAR 404,176 thousand (US\$107,780 thousand), respectively. The financial information presented in this column as of December 31, 2015 is derived from the 2016 Special-Purpose Financial Statements.

(2) Total assets of the NOMAC Group.

(3) Total liabilities of the NOMAC Group.

The following table sets forth the consolidated balance sheet data for the NOMAC Group (after intragroup eliminations) for the year ended December 31, 2016 extracted from note 26 (Discontinued Operations) of the 2016 Special-Purpose Financial Statements.

	AS OF DECEMBER 31, 2016
	(in SAR thousand)
ASSETS	
Bank balances and cash	192,238
Due from related parties	509,478
Prepayments and other receivables	79,995
Inventories	156,351
Investments in associates and a joint venture	48,408
Property, plant and equipment	38,257
Total Assets	1,024,727
LIABILITIES	
Accounts payable and accruals	485,263
Due to related parties	83,725
Zakat and income tax payable	5,193
Negative fair value of derivatives	419
Employees' terminal benefits	40,981
Deferred revenues and other liabilities	57,823
Total Liabilities	673,404
NET ASSETS	351,323

The APP Group prepares its financial statements in Saudi riyals. Solely for the convenience of potential investors, the financial information in the table above is also presented in U.S. dollars in the table below, converted at the exchange rate of US\$1 = SAR 3.75. See "Presentation of Financial and Other Information—Financial Information—U.S. Dollar Exchange Rate Convenience Translation."

	AS OF DECEMBER 31, 2016
	(in US\$ thousand)
ASSETS	
Bank balances and cash	51,263
Due from related parties	135,861
Prepayments and other receivables	21,332
Inventories	41,694
Investments in associates and a joint venture	12,909
Property, plant and equipment	10,202
Total Assets	273,261
LIABILITIES	
Accounts payable and accruals	129,403
Due to related parties	22,327
Zakat and income tax payable	1,385
Negative fair value of derivatives	112
Employees' terminal benefits	10,928
Deferred revenues and other liabilities	15,419
Total Liabilities	179,574
NET ASSETS	93,686

Special-Purpose Consolidated Statement of Cash Flows Data of the APP Group

The following table sets forth special-purpose consolidated statement of cash flows data for the APP Group for the years ended December 31, 2014 and 2015 extracted from the 2014 Special-Purpose Financial Statements and 2015 Special-Purpose Financial Statements, respectively.

	YEAR ENDED DECEMBER 31,	
	2014	2015
	(in SAR thousand)	
Operating Activities		
Income before zakat, tax and minority interests	487,289	448,166
Adjustments for:		
Depreciation	36,537	32,943
Provision for doubtful accounts and impairments	10,791	6,121
Provision for employees' terminal benefits, net	4,538	10,784
Share in net income of associates and joint ventures	(364,348)	(300,525)
Development expenses	4,902	158
(Insurance claims against assets written off) write-off of plant and equipment	(35,043)	n/a
Fair value of cash flow hedges recycled to special-purpose consolidated statement of income	(3,937)	1,320
<i>Operating cash flows before working capital changes</i>	140,729	198,967
Changes in operating assets and liabilities:		
Prepayments and other receivables	(58,789)	(94,871)
Inventories	(39,814)	(40,258)
Accounts payables and accruals	164,856	115,816
Due from related parties	183,580	(125,162)
Deferred revenues and other liabilities	19,154	11,290
Cash flows from operations	409,716	65,782
Zakat and income tax paid	(3,663)	(12,238)
Employees terminal benefits paid	n/a	(5,101)
Dividends from an associate and joint ventures, net	92,922	167,968
Net cash from operating activities	498,975	216,411
Investing Activities		
Purchase of property, plant and equipment, net	(9,904)	(15,863)
Advances for investment	—	n/a
Proceeds from an associate and joint ventures, net	104,230	61,014
Recovery of advances from investment	n/a	360,360
Maturity of short-term deposit with original maturity of more than three months, net	—	n/a
Net cash from investing activities	94,326	405,511
Financing Activities		
Repayment of short-term bank facilities	(15,000)	—
Due to related parties, net	(35,807)	(486,979)
Repayment of long-term loans and facilities, net	(50,038)	(48,683)
Dividends paid	(473,172)	(20,965)
Minority interests	—	n/a
Net cash used in financing activities	(574,017)	(556,627)
Increase in cash and cash equivalents	19,284	65,295
Cash acquired from an acquired subsidiary	30,839	—
Cash and cash equivalents at the beginning of the year	138,036	188,159
Cash and cash equivalents at the end of the year	188,159	253,454

Solely for the convenience of potential investors, the financial information in the table above is also presented in U.S. dollars in the table below, converted at the exchange rate of US\$1 = SAR 3.75. See "Presentation of Financial and Other Information—Financial Information—U.S. Dollar Exchange Rate Convenience Translation."

	YEAR ENDED DECEMBER 31,	
	2014	2015
	(in US\$ thousand)	
Operating Activities		
Income before zakat, tax and minority interests	129,944	119,511
Adjustments for:		
Depreciation	9,743	8,785
Provision for doubtful accounts and impairments	2,878	1,632
Provision for employees' terminal benefits, net	1,210	2,876
Share in net income of associates and joint ventures	(97,159)	(80,140)
Development expenses	1,307	42
(Insurance claims against assets written off) write-off of plant and equipment	(9,345)	n/a
Fair value of cash flow hedges recycled to special-purpose consolidated statement of income	(1,050)	352
<i>Operating cash flows before working capital changes</i>	37,528	53,058
Changes in operating assets and liabilities:		
Prepayments and other receivables	(15,677)	(25,299)
Inventories	(10,617)	(10,735)
Accounts payables and accruals	43,962	30,884
Due from related parties	48,955	(33,377)
Deferred revenues and other liabilities	5,108	3,011
Cash flows from operations	109,258	17,542
Zakat and income tax paid	(977)	(3,263)
Employees terminal benefits paid	n/a	(1,360)
Dividends from an associate and joint ventures, net	24,779	44,791
Net cash from operating activities	133,060	57,710
Investing Activities		
Purchase of property, plant and equipment, net	(2,641)	(4,230)
Advances for investment	—	n/a
Proceeds from an associate and joint ventures, net	27,795	16,270
Recovery of advances from investment	n/a	96,096
Maturity of short-term deposit with original maturity of more than three months, net	—	n/a
Net cash from investing activities	25,154	108,136
Financing Activities		
Repayment of short-term bank facilities	(4,000)	—
Due to related parties, net	(9,549)	(129,861)
Repayment of long-term loans and facilities, net	(13,343)	(12,982)
Dividends paid	(126,179)	(5,591)
Minority interests	—	n/a
Net cash used in financing activities	(153,071)	(148,434)
Increase in cash and cash equivalents	5,142	17,412
Cash acquired from an acquired subsidiary	8,224	—
Cash and cash equivalents at the beginning of the year	36,810	50,176
Cash and cash equivalents at the end of the year	50,176	67,588

The following table sets forth special-purpose consolidated statement of cash flows data for the APP Group for the years ended December 31, 2015 and 2016 extracted from the 2016 Special-Purpose Financial Statements.

	YEAR ENDED DECEMBER 31,	
	2015	2016
	(in SAR thousand)	
Operating Activities		
Income before zakat, tax and minority interests from continuing operations	341,969	448,190
Income before tax for the year from discontinued operations	104,078	151,356
Adjustments for:		
Depreciation	32,943	43,865
Provision for doubtful accounts	6,121	—
Provision for employees' terminal benefits	10,784	16,652
Share in net income of an associate and joint ventures	(301,267)	(380,957)
Development expenses	158	—
Unrealized gain on derivatives	—	(38,172)
Fair value of cash flow hedges recycled to special-purpose consolidated statement of income	1,320	3,617
<i>Operating cash flows before working capital changes</i>	196,106	244,551
Changes in operating assets and liabilities:		
Prepayments and other receivables	(91,490)	117,517
Inventories	(40,258)	(5,470)
Due from related parties	(125,162)	(197,445)
Accounts payables and accruals	153,441	89,222
Deferred revenues and other liabilities	11,290	4,815
Cash flows from operations	103,927	253,190
Zakat and income tax paid	(12,758)	(18,436)
Employees terminal benefits paid	(5,101)	(6,104)
Dividends received from an associate and joint ventures, net	167,968	85,795
Net cash from operating activities	254,036	314,445
Investing Activities		
Purchase of property and equipment	(15,863)	(43,826)
Repayment from a joint venture, net	61,014	132,856
Recovery of advances from investment	360,360	—
Net cash from investing activities	405,511	89,030
Financing Activities		
Due to related parties, net	(524,604)	(166,687)
Short term facilities	—	15,000
Long term loans and facilities, net	(48,683)	(50,321)
Dividends paid	(20,965)	(80,723)
Net cash used in financing activities	(594,252)	(282,731)
Increase in bank balances and cash	65,295	120,744
Bank balances and cash associated with discontinued operations	—	(192,238)
Bank balances and cash at the beginning of the year	188,159	253,454
Bank balances and cash at the end of the year	253,454	181,960

The APP Group prepares its financial statements in Saudi riyals. Solely for the convenience of potential investors, the financial information in the table above is also presented in U.S. dollars in the table below, converted at the exchange rate of US\$1 = SAR 3.75. See “Presentation of Financial and Other Information—Financial Information—U.S. Dollar Exchange Rate Convenience Translation.”

	YEAR ENDED DECEMBER 31,	
	2015	2016
	(in US\$ thousand)	
Operating Activities		
Income before zakat, tax and minority interests from continuing operations	91,192	119,517
Income before tax for the year from discontinued operations	27,754	40,362
Adjustments for:		
Depreciation	8,785	11,697
Provision for doubtful accounts	1,632	—
Provision for employees’ terminal benefits	2,876	4,441
Share in net income of an associate and joint ventures	(80,338)	(101,589)
Development expenses	42	—
Unrealized gain on derivatives	—	(10,179)
Fair value of cash flow hedges recycled to special-purpose consolidated statement of income	352	965
<i>Operating cash flows before working capital changes</i>	52,295	65,214
Changes in operating assets and liabilities:		
Prepayments and other receivables	(24,397)	31,338
Inventories	(10,735)	(1,459)
Due from related parties	(33,377)	(52,652)
Accounts payables and accruals	40,918	23,793
Deferred revenues and other liabilities	3,011	1,284
Cash flows from operations	27,714	67,517
Zakat and income tax paid	(3,402)	(4,916)
Employees terminal benefits paid	(1,360)	(1,628)
Dividends received from an associate and joint ventures, net	44,791	22,879
Net cash from operating activities	67,743	83,852
Investing Activities		
Purchase of property and equipment	(4,230)	(11,687)
Repayment from a joint venture, net	16,270	35,428
Recovery of advances from investment	96,096	—
Net cash from investing activities	108,136	23,741
Financing Activities		
Due to related parties, net	(139,894)	(44,450)
Short term facilities	—	4,000
Long term loans and facilities, net	(12,982)	(13,419)
Dividends paid	(5,591)	(21,526)
Net cash used in financing activities	(158,467)	(75,395)
Increase in bank balances and cash	17,412	32,198
Bank balances and cash associated with discontinued operations	—	(51,263)
Bank balances and cash at the beginning of the year	50,176	67,588
Bank balances and cash at the end of the year	67,588	48,523

The following table sets forth certain selected consolidated statement of cash flows data for the NOMAC Group (after intragroup eliminations) for the years ended December 31, 2015 and 2016 extracted from note 26 (Discontinued Operations) of the 2016 Special-Purpose Financial Statements of the APP Group.

	YEAR ENDED DECEMBER 31, 2015	YEAR ENDED DECEMBER 31, 2016
	(in SAR thousand)	
Net cash from operating activities	125,420	97,292
Net cash used in investing activities	(1,526)	(9,273)
Net cash used in financing activities	(90,214)	(74,145)
Net foreign exchange difference	(671)	(543)
Net change in cash flows	33,009	13,331

The APP Group prepares its financial statements in Saudi riyals. Solely for the convenience of potential investors, the financial information in the table above is also presented in U.S. dollars in the table below, converted at the exchange rate of US\$1 = SAR 3.75. See “Presentation of Financial and Other Information—Financial Information—U.S. Dollar Exchange Rate Convenience Translation.”

	YEAR ENDED DECEMBER 31, 2015	YEAR ENDED DECEMBER 31, 2016
	(in US\$ thousand)	
Net cash from operating activities	33,445	25,945
Net cash used in investing activities	(407)	(2,473)
Net cash used in financing activities	(24,057)	(19,772)
Net foreign exchange difference	(179)	(145)
Net change in cash flows	8,802	3,555

Additional Selected Consolidated Financial Information of the NOMAC Group

The following tables set out the NOMAC Group’s revenue, costs and other line items attributable to its operations in the Kingdom of Saudi Arabia (other than at the Shuaibah IWPP), at the Shuaibah IWPP and outside of the Kingdom of Saudi Arabia, as well as management’s estimate of elimination and unallocated corporate items during the years ended December 31, 2015 and 2016. The information has been derived from the Financial Statements and accounting records of the APP Group.

	YEAR ENDED DECEMBER 31, 2015				YEAR ENDED DECEMBER 31, 2015
	INTERNATIONAL OPERATIONS	SHUAIBAH IWPP	OTHER SAUDI PROJECTS	ELIMINATION & UNALLOCATED CORPORATE	
	(in SAR thousand)				
Revenue	373,068	57,132	673,382	2,078	1,105,660
Direct costs	(279,663)	(76,671)	(500,148)	(997)	(857,479)
Gross profit/(loss)	93,405	(19,539)	173,234	1,081	248,181
General and administration expenses	(16,781)	(8,851)	(74,553)	(26,482)	(126,667)
Income/(loss) from main operations	76,624	(28,390)	98,681	(25,401)	121,514
Share in net income in associates and a joint venture	353	-	15,492	-	15,845
Other income	6	78	213	-	297
Financial charges	(2,223)	-	(1,852)	-	(4,075)
Income/(loss) before zakat, tax and minority interest	74,760	(28,312)	112,534	(25,401)	133,581
Zakat and tax	(9,316)	-	(4,696)	-	(14,012)
Income/(loss) before minority interest	65,444	(28,312)	107,838	(25,401)	119,569
Minority interest	(1,921)	-	(6,683)	-	(8,604)
Net income/(loss) for the year	63,523	(28,312)	101,155	(25,401)	110,965

Solely for the convenience of potential investors, the financial information in the table above is also presented in U.S. dollars in the table below, converted at the exchange rate of US\$1 = SAR 3.75. See “Presentation of Financial and Other Information—Financial Information—U.S. Dollar Exchange Rate Convenience Translation.”

	YEAR ENDED DECEMBER 31, 2015				YEAR ENDED DECEMBER 31, 2015
	INTERNATIONAL OPERATIONS	SHUAIBAH IWPP	OTHER SAUDI PROJECTS	ELIMINATION & UNALLOCATED CORPORATE	
	(in US\$ thousand)				
Revenue	99,485	15,235	179,569	554	294,843
Direct costs	(74,577)	(20,446)	(133,373)	(266)	(228,661)
Gross profit/(loss)	24,908	(5,210)	46,196	288	66,182
General and administration expenses	(4,475)	(2,360)	(19,881)	(7,062)	(33,778)
Income/(loss) from main operations	20,433	(7,571)	26,315	(6,774)	32,404
Share in net income in associates and a joint venture	94	-	4,131	-	4,225
Other income	2	21	57	-	79
Financial charges	(593)	-	(494)	-	(1,087)
Income/(loss) before zakat, tax and minority interest	19,936	(7,550)	30,009	(6,774)	35,622
Zakat and tax	(2,484)	-	(1,252)	-	(3,737)
Income/(loss) before minority interest	17,452	(7,550)	28,757	(6,774)	31,885
Minority interest	(512)	-	(1,782)	-	(2,294)
Net income/(loss) for the year	16,939	(7,550)	26,975	(6,774)	29,591

	YEAR ENDED DECEMBER 31, 2016				YEAR ENDED DECEMBER 31, 2016
	INTERNATIONAL OPERATIONS	SHUAIBAH IWPP	OTHER SAUDI PROJECTS	ELIMINATION & UNALLOCATED CORPORATE	
	(in SAR thousand)				
Revenue	279,779	71,780	776,926	—	1,128,485
Direct costs	(216,499)	(78,703)	(538,790)	(2,629)	(836,621)
Gross profit	63,280	(6,923)	238,136	(2,629)	291,864
General and administration expenses	(34,243)	(6,269)	(90,902)	(26,092)	(157,506)
Income/(loss) from main operations	29,037	(13,192)	147,234	(28,721)	134,358
Share in net income in associates and a joint venture	257	—	36,929	—	37,186
Other (expenses)/income	2,363	(41)	478	—	2,800
Financial income/(charges)	465	—	(1,609)	(965)	(2,109)
Income/(loss) before zakat, tax and minority interest	32,122	(13,233)	183,032	(29,686)	172,235
Zakat and tax	(6,682)	—	(6,323)	—	(13,005)
Income/(loss) before minority interest	25,440	(13,233)	176,709	(29,686)	159,230
Minority interest	(173)	—	(9,583)	—	(9,756)
Net income/(loss) for the year	25,267	(13,233)	167,126	(29,686)	149,474

Solely for the convenience of potential investors, the financial information in the table above is also presented in U.S. dollars in the table below, converted at the exchange rate of US\$1 = SAR 3.75. See “Presentation of Financial and Other Information—Financial Information—U.S. Dollar Exchange Rate Convenience Translation.”

	YEAR ENDED DECEMBER 31, 2016				YEAR ENDED DECEMBER 31, 2016
	INTERNATIONAL OPERATIONS	SHUAIBAH IWPP	OTHER SAUDI PROJECTS	ELIMINATION & UNALLOCATED CORPORATE	
	(in US\$ thousand)				
Revenue	74,608	19,141	207,180	—	300,929
Direct costs	(57,733)	(20,987)	(143,677)	(701)	(223,099)
Gross profit	16,875	(1,846)	63,503	(701)	77,830
General and administration expenses	(9,131)	(1,672)	(24,241)	(6,958)	(42,002)
Income/(loss) from main operations	7,743	(3,518)	39,262	(7,659)	35,829
Share in net income in associates and a joint venture	69	—	9,848	—	9,916
Other (expenses)/income	630	(11)	127	—	747
Financial income/(charges)	124	—	(429)	(257)	(562)
Income/(loss) before zakat, tax and minority interest	8,566	(3,529)	48,809	(7,916)	45,929
Zakat and tax	(1,782)	—	(1,686)	—	(3,468)
Income/(loss) before minority interest	6,784	(3,529)	47,123	(7,916)	42,461
Minority interest	(46)	—	(2,555)	—	(2,602)
Net income/(loss) for the year	6,738	(3,529)	44,567	(7,916)	39,860

Selected Financial Information and Operational Information of the Project Companies

Financial information included in this section has been extracted from the audited financial statements of the Project Companies as of and for the years ended December 31, 2014, 2015 and 2016. The financial statements of the Project Companies are not included in this Offering Memorandum. See “Risk Factors—Risks Related to the APP Group, Projects and NOMAC—The financial statements of the Project Companies and NOMAC are not included in this Offering Memorandum.”

This financial data should be read in conjunction with “Presentation of Financial and Other Information,” “Use of Proceeds,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Description of Certain Other Financing Arrangements of Project Companies.”

SEPCO (Project Company for the Shuaibah Expansion IWP)

The following table sets out statement of income data for SEPCO.

	YEAR ENDED DECEMBER 31,		
	2014	2015	2016
	(in SAR thousand)		
Revenue	149,542	151,412	151,213
Operating cost	(79,630)	(80,628)	(80,026)
Gross profit	69,912	70,784	71,187
General and administration expenses	(12,363)	(9,198)	(8,144)
Income from main operations	57,549	61,586	63,043
Other income	87	40	271
Financial charges	(49,525)	(39,587)	(37,576)
Unrealized gain on derivatives	184	262	429
Net income for the year	8,295	22,301	26,167

SEPCO prepares its financial statements in Saudi riyals. Solely for the convenience of potential investors, the financial information in the table above is also presented in U.S. dollars in the table below, converted at the exchange rate of US\$1 = SAR 3.75. See “Presentation of Financial and Other Information—Financial Information—U.S. Dollar Exchange Rate Convenience Translation.”

	YEAR ENDED DECEMBER 31,		
	2014	2015	2016
	(in US\$ thousand)		
Revenue	39,878	40,377	40,323
Operating cost	(21,235)	(21,501)	(21,340)
Gross profit	18,643	18,876	18,983
General and administration expenses	(3,297)	(2,453)	(2,172)
Income from main operations	15,346	16,423	16,811
Other income	23	11	72
Financial charges	(13,207)	(10,557)	(10,020)
Unrealized gain on derivatives	49	70	114
Net income for the year	2,212	5,947	6,978

SWEC (Project Company for the Shuaibah IWPP)

The following table sets out statement of income data for SWEC.

	YEAR ENDED DECEMBER 31,		
	2014	2015	2016
	(in SAR thousand)		
Revenue	1,081,282	1,011,137	1,090,871
Operating cost	(378,862)	(401,894)	(397,946)
Gross profit	702,420	609,243	692,925
General and administration expenses	(32,385)	(32,225)	(27,477)
Income from main operations	670,035	577,018	665,448
Other income / (loss)	2,660	(966)	17,263
Financial charges	(361,799)	(345,670)	(328,307)
Net income for the year	310,896	230,382	354,404

SWEC prepares its financial statements in Saudi riyals. Solely for the convenience of potential investors, the financial information in the table above is also presented in U.S. dollars in the table below, converted at the exchange rate of US\$1 = SAR 3.75. See “Presentation of and Other Financial Information—Financial Information—U.S. Dollar Exchange Rate Convenience Translation.”

	YEAR ENDED DECEMBER 31,		
	2014	2015	2016
	(in US\$ thousand)		
Revenue	288,342	269,637	290,899
Operating cost	(101,030)	(107,172)	(106,119)
Gross profit	187,312	162,465	184,780
General and administration expenses	(8,636)	(8,593)	(7,327)
Income from main operations	178,676	153,871	177,453
Other income / (loss)	709	(258)	4,603
Financial charges	(96,480)	(92,179)	(87,549)
Net income for the year	82,906	61,435	94,508

JWAP (Project Company for the Marafiq IWPP)

The following table sets out statement of income data for JWAP.

	YEAR ENDED DECEMBER 31,		
	2014 ⁽¹⁾	2015 ⁽²⁾	2016
	(in SAR thousand)		
Revenue	1,175,987	1,257,248	1,240,072
Operating cost	(394,554)	(397,056)	(395,780)
Gross profit	781,433	860,192	844,292
General and administration expenses	(12,233)	(17,031)	(15,345)
Income from main operations	769,200	843,161	828,948
Other operating income, net	7,053	5,857	4,419
Financial charges	(600,703)	(536,961)	(517,242)
Net income for the year	175,550	312,056	316,125

Notes:

(1) Consistent with the presentation in the financial statements of JWAP as of and for the year ended December 31, 2016, operating costs, other operating income and financial charges for the year ended December 31, 2014 in the financial statements of JWAP as of and for the year ended December 31, 2015 (SAR 405,678 thousand, SAR 6,642 thousand and SAR 589,168 thousand, respectively) were reclassified to SAR 394,554 thousand, SAR 7,053 thousand and SAR 600,703 thousand, respectively. The financial information presented in this column for the year ended December 31, 2014 is derived from the financial statements of JWAP as of and for the year ended December 31, 2015, as adjusted by the management for the above-mentioned reclassifications for consistency of presentation with the financial statements of JWAP as of and for the year ended December 31, 2016.

(2) Operating costs, other operating income and financial charges for the year ended December 31, 2015 in the financial statements of JWAP as of and for the year ended December 31, 2015 (SAR 405,090 thousand, SAR 1,490 thousand and SAR 524,560 thousand, respectively) were reclassified in the financial statements of JWAP as of and for the year ended December 31, 2016 to SAR 397,056 thousand, SAR 5,857 thousand and SAR 536,961 thousand, respectively. The financial information presented in this column for the year ended December 31, 2015 is derived from the financial statements of JWAP as of and for the year ended December 31, 2016.

JWAP prepares its financial statements in Saudi riyals. Solely for the convenience of potential investors, the financial information in the table above is also presented in U.S. dollars in the table below, converted at the exchange rate of US\$1 = SAR 3.75. See "*Presentation of Financial and Other Information—Financial Information—U.S. Dollar Exchange Rate Convenience Translation.*"

	YEAR ENDED DECEMBER 31,		
	2014 ⁽¹⁾	2015 ⁽²⁾	2016
	(in US\$ thousand)		
Revenue	313,597	335,266	330,686
Operating cost	(105,214)	(105,882)	(105,541)
Gross profit	208,382	229,385	225,145
General and administration expenses	(3,262)	(4,542)	(4,092)
Income from main operations	205,120	224,843	221,053
Other operating income, net	1,881	1,562	1,178
Financial charges	(160,187)	(143,190)	(137,931)
Net income for the year	46,813	83,215	84,300

Notes:

(1) Consistent with the presentation in the financial statements of JWAP as of and for the year ended December 31, 2016, operating costs, other operating income and financial charges for the year ended December 31, 2014 in the financial statements of JWAP as of and for the year ended December 31, 2015 (SAR 405,678 thousand (US\$108,181 thousand), SAR 6,642 thousand (US\$1,771 thousand) and SAR 589,168 thousand (US\$157,111 thousand), respectively) were reclassified to SAR 394,554 thousand (US\$105,201 thousand), SAR 7,053 thousand (US\$1,881 thousand) and SAR 600,703 thousand (US\$160,187 thousand), respectively. The financial information presented in this column for the year ended December 31, 2014 is derived from the financial statements of JWAP as of and for the year ended December 31, 2015, as adjusted by the management for the above-mentioned reclassifications for consistency of presentation with the financial statements of JWAP as of and for the year ended December 31, 2016.

(2) Operating costs, other operating income and financial charges for the year ended December 31, 2015 in the financial statements of JWAP as of and for the year ended December 31, 2015 (SAR 405,090 thousand (US\$108,024 thousand), SAR 1,490 thousand (US\$397 thousand) and SAR 524,560 thousand (US\$139,883 thousand), respectively) were reclassified in the financial statements of JWAP as of and for the year ended December 31, 2016 to SAR 397,056 thousand (US\$105,882 thousand), SAR 5,857 thousand (US\$1,562 thousand) and SAR 536,961 thousand (US\$143,190 thousand), respectively. The financial information presented in this column for the year ended December 31, 2015 is derived from the financial statements of JWAP as of and for the year ended December 31, 2016.

SQWEC (Project Company for the Shuqaiq IWPP)

The following table sets out statement of income data for SQWEC.

	YEAR ENDED DECEMBER 31,		
	2014	2015 ⁽¹⁾	2016
	(in SAR thousand)		
Revenue	784,225	801,707	812,377
Operating cost	(303,671)	(300,195)	(303,669)
Gross profit	480,554	501,512	508,708
General and administration expenses	(23,925)	(21,495)	(23,772)
Income from main operations	456,629	480,017	484,936
Other income	—	1,705	7,027
Financial charges	(354,728)	(312,715)	(299,968)
Net income for the year	101,901	169,007	191,995

Note:

(1) General and administration expenses, income from main operations and financial charges for the year ended December 31, 2015 in the financial statements of SQWEC as of and for the year ended December 31, 2015 (SAR 23,226 thousand, SAR 478,286 thousand and SAR 310,984 thousand, respectively) were reclassified in the financial statements of SQWEC as of and for the year ended December 31, 2016 to SAR 21,495 thousand, SAR 480,017 thousand and SAR 312,715 thousand, respectively. The financial information presented in this column for the year ended December 31, 2015 is derived from the financial statements of SQWEC as of and for the year ended December 31, 2016.

SQWEC prepares its financial statements in Saudi riyals. Solely for the convenience of potential investors, the financial information in the table above is also presented in U.S. dollars in the table below, converted at the exchange rate of US\$1 = SAR 3.75. See “*Presentation of Financial and Other Information—Financial Information—U.S. Dollar Exchange Rate Convenience Translation.*”

	YEAR ENDED DECEMBER 31,		
	2014	2015 ⁽¹⁾	2016
	(in US\$ thousand)		
Revenue	209,127	213,789	216,634
Operating cost	(80,979)	(80,052)	(80,978)
Gross profit	128,148	133,737	135,655
General and administration expenses	(6,380)	(5,732)	(6,339)
Income from main operations	121,768	128,005	129,316
Other income	0	455	1,874
Financial charges	(94,594)	(83,391)	(79,991)
Net income for the year	27,174	45,069	51,199

Note:

(1) General and administration expenses, income from main operations and financial charges for the year ended December 31, 2015 in the financial statements of SQWEC as of and for the year ended December 31, 2015 (SAR 23,226 thousand (US\$6,194 thousand), SAR 478,286 thousand (US\$127,543 thousand) and SAR 310,984 thousand (US\$82,929 thousand), respectively) were reclassified in the financial statements of SQWEC as of and for the year ended December 31, 2016 to SAR 21,495 thousand (US\$5,732 thousand), SAR 480,017 thousand (US\$128,005 thousand) and SAR 312,715 thousand (US\$83,391 thousand), respectively. The financial information presented in this column for the year ended December 31, 2015 is derived from the financial statements of SQWEC as of and for the year ended December 31, 2016.

RABEC (Project Company for the Rabigh IPP)

The following table sets out statement of income data for RABEC.

	YEAR ENDED DECEMBER 31,		
	2014	2015	2016
	(in SAR thousand)		
Revenue	1,014,414	972,865	898,057
Operating cost	(324,591)	(315,859)	(323,268)
Gross profit	689,823	657,006	574,789
General and administration expenses	(16,690)	(17,387)	(19,089)
Income from main operations	673,133	639,619	555,700
Other income, net	3,942	—	n/a
Financial charges	(467,696)	(464,037)	(440,097)
Net income for the year	209,379	175,582	115,603

RABEC prepares its financial statements in Saudi riyals. Solely for the convenience of potential investors, the financial information in the table above is also presented in U.S. dollars in the table below, converted at the exchange rate of US\$1 = SAR 3.75. See “Presentation of Financial and Other Information—Financial Information—U.S. Dollar Exchange Rate Convenience Translation.”

	YEAR ENDED DECEMBER 31,		
	2014	2015	2016
	(in US\$ thousand)		
Revenue	270,510	259,431	239,482
Operating cost	(86,558)	(84,229)	(86,205)
Gross profit	183,953	175,202	153,277
General and administration expenses	(4,451)	(4,637)	(5,090)
Income from main operations	179,502	170,565	148,187
Other income	1,051	—	n/a
Financial charges	(124,719)	(123,743)	(117,359)
Net income for the year	55,834	46,822	30,827

HEPCO (Project Company for the Qurayyah IPP)

The following table sets out statement of income data for HEPCO.

	YEAR ENDED DECEMBER 31,		
	2014	2015	2016
	(in SAR thousand)		
Revenue	256,929	769,646	938,695
Operating cost	(124,168)	(425,189)	(502,590)
Gross profit	132,761	344,457	436,105
General and administration expenses	(5,826)	(48,628)	(140,538)
Income from main operations	126,935	295,829	295,567
Finance costs	(63,716)	(232,138)	(268,165)
Other income ⁽¹⁾	—	—	65,751
Other expenses ⁽¹⁾	—	—	(17,815)
Net income for the year	63,219	63,691	75,338

Note

⁽¹⁾ These are shown as one line item, “other income/expense”, in HEPCO’s financial statements as of and for the year ended December 31, 2015.

HEPCO prepares its financial statements in Saudi riyals. Solely for the convenience of potential investors, the financial information in the table above is also presented in U.S. dollars in the table below, converted at the exchange rate of US\$1 = SAR 3.75. See “Presentation of Financial and Other Information—Financial Information—U.S. Dollar Exchange Rate Convenience Translation.”

	YEAR ENDED DECEMBER 31,		
	2014	2015	2016
	(in US\$ thousand)		
Revenue	68,514	205,239	250,319
Operating cost	(33,111)	(113,384)	(134,024)
Gross profit	35,403	91,855	116,295
General and administration expenses	(1,554)	(12,967)	(37,477)
Income from main operations	33,849	78,888	78,818
Finance costs	(16,991)	(61,903)	(71,511)
Other income ⁽¹⁾	—	—	17,534
Other expenses ⁽¹⁾	—	—	(4,751)
Net income for the year	16,858	16,984	20,090

Note:

⁽¹⁾ These are shown as one line item, “other income/expense”, in HEPCO’s financial statements as of and for the year ended December 31, 2015.

Bowarege (Project Company for the Bowarege IWP)

The following table sets out statement of income data for Bowarege.

	YEAR ENDED DECEMBER 31,		
	2014	2015	2016
	(in SAR thousand)		
Revenue	92,633	133,762	138,056
Operating cost	(72,659)	(77,490)	(83,136)
Gross profit	19,974	56,272	54,920
General and administration expenses	(6,388)	(6,356)	(6,236)
Income from main operations	13,586	49,916	48,683
Other income, net	55,912	73	49
Financial charges	(3,778)	(2,744)	(1,968)
Net income for the year	65,721	47,245	46,764

Bowarege prepares its financial statements in Saudi riyals. Solely for the convenience of potential investors, the financial information in the table above is also presented in U.S. dollars in the table below, converted at the exchange rate of US\$1 = SAR 3.75. See “Presentation of Financial and Other Information—Financial Information—U.S. Dollar Exchange Rate Convenience Translation.”

	YEAR ENDED DECEMBER 31,		
	2014	2015	2016
	(in US\$ thousand)		
Revenue	24,702	35,670	36,815
Operating cost	(19,376)	(20,664)	(22,170)
Gross profit	5,326	15,006	14,645
General and administration expenses	(1,703)	(1,695)	(1,663)
Income from main operations	3,623	13,311	12,982
Other income, net	14,910	19	13
Financial charges	(1,007)	(732)	(525)
Net income for the year	17,526	12,599	12,470

RAWEC (Project Company for the RAWEC IWSPP)

The following table sets out statement of income data for RAWEC.

	YEAR ENDED DECEMBER 31,		
	2014	2015	2016
	(in SAR thousand)		
Revenue	631,920	616,343	887,014
Direct cost	(315,282)	(280,621)	(382,056)
Gross profit	316,637	335,635	504,959
General and administration expenses	(32,738)	(23,205)	(20,687)
Net Income from main operations	283,899	312,516	484,272
Financial charges	(152,771)	(148,052)	(231,316)
Income from bank deposits	397	843	1,798
Other income	50,230	10,649	884
Exchange loss	(168)	(98)	(844)
Net income for the year	181,586	175,858	254,793

RAWEC prepares its financial statements in Saudi riyals. Solely for the convenience of potential investors, the financial information in the table above is also presented in U.S. dollars in the table below, converted at the exchange rate of US\$1 = SAR 3.75. See “*Presentation of Financial and Other Information—Financial Information—U.S. Dollar Exchange Rate Convenience Translation.*”

	YEAR ENDED DECEMBER 31,		
	2014	2015	2016
	(in US\$ thousand)		
Revenue	168,512	164,358	236,537
Direct cost	(84,075)	(74,832)	(101,882)
Gross profit	84,437	89,503	134,656
General and administration expenses	(8,730)	(6,188)	5,517
Net Income from main operations	75,706	83,338	129,139
Financial charges	(40,739)	(39,481)	(61,684)
Income from bank deposits	106	225	479
Other income	13,395	2,840	236
Exchange loss	(45)	(26)	(225)
Net income for the year	48,423	46,895	67,945

Other Financial Information for Project Companies

	SEPCO (SHUAIBAH EXPANSION IWP)	SWEC (SHUAIBAH IWPP)	JWAP (MARAFIQ IWPP)	SQWEC (SHUQAIQ IWPP)	RABEC (RABIGH IPP)	HEPCO (QURAYYAH IPP)	BOWAREGE (BOWAREGE IWP)	RAWEC (RAWEC IWSPP)	TOTAL
Revenue (in SAR thousand)									
2014	149,542	1,081,282	1,175,987	784,225	1,014,414	256,929	92,633	631,920	5,186,932
2015	151,412	1,011,137	1,257,248	801,707	972,865	769,646	133,762	616,343	5,714,120
2016	151,213	1,090,871	1,240,072	812,377	898,057	938,695	138,056	887,014	6,156,355
DSCR test level for distributions ⁽¹⁾									
2014	1.15:1	1.15:1	1.125:1	1.15:1 ⁽²⁾	1.15:1	1.125:1	n/a	n/a	n/a
2015	1.15:1	1.15:1	1.125:1	1.15:1 ⁽²⁾	1.15:1	1.125:1	n/a	n/a	n/a
2016	1.15:1	1.15:1	1.125:1	1.15:1 ⁽²⁾	1.15:1	1.125:1	n/a	n/a	n/a

Notes:

- ⁽¹⁾ For actual DSCRs for the period from January 1, 2014 to December 31, 2016 as reported by the Project Companies and accepted by their respective lenders, the amount of Project Companies' outstanding debt as of December 31, 2016 and a description of material terms of their financing arrangements, see "Description of Certain Other Financing Arrangements of Project Companies."
⁽²⁾ DSCR with respect to the senior facility. DSCR for the junior facility was 1.10:1.

Solely for the convenience of potential investors, the financial information in the table above is also presented in U.S. dollars in the table below, converted at the exchange rate of US\$1 = SAR 3.75. See "Presentation of Financial and Other Information—Financial Information—U.S. Dollar Exchange Rate Convenience Translation."

	SEPCO (SHUAIBAH EXPANSION IWP)	SWEC (SHUAIBAH IWPP)	JWAP (MARAFIQ IWPP)	SQWEC (SHUQAIQ IWPP)	RABEC (RABIGH IPP)	HEPCO (QURAYYAH IPP)	BOWAREGE (BOWAREGE IWP)	RAWEC (RAWEC IWSPP)	TOTAL
Revenue (in US\$ thousand)									
2014	39,878	288,342	313,597	209,127	270,510	68,514	24,702	168,512	1,383,182
2015	40,377	269,637	335,266	213,789	259,431	205,239	35,670	164,358	1,523,765
2016	40,323	290,899	330,686	216,634	239,482	250,319	36,815	236,537	1,641,695
DSCR test level for distributions ⁽¹⁾									
2014	1.15:1	1.15:1	1.125:1	1.15:1 ⁽²⁾	1.15:1	1.125:1	n/a	n/a	n/a
2015	1.15:1	1.15:1	1.125:1	1.15:1 ⁽²⁾	1.15:1	1.125:1	n/a	n/a	n/a
2016	1.15:1	1.15:1	1.125:1	1.15:1 ⁽²⁾	1.15:1	1.125:1	n/a	n/a	n/a

Notes:

- ⁽¹⁾ For actual DSCRs for the period from January 1, 2014 to December 31, 2016 as reported by the Project Companies and accepted by their respective lenders, the amount of Project Companies' outstanding debt as of December 31, 2016 and a description of material terms of their financing arrangements, see "Description of Certain Other Financing Arrangements of Project Companies."
⁽²⁾ DSCR with respect to the senior facility. DSCR for the junior facility was 1.10:1.

Information on Dividends and Shareholder Loans for Project Companies and NOMAC

	SEPCO (SHUAIBAH EXPANSION IWP)	SWEC (SHUAIBAH IWPP)	JWAP (MARAFIQ IWPP)	SGWEC (SHUQAIQ IWPP)	RABEC (RABIGH IPP)	HEPCO (QURAYYAH IPP)	BOWAREGE ⁽¹⁾ (BOWAREGE IWP)	RAWEC (RAWEC IWSPP)	NOMAC
Dividends paid by Project Companies and NOMAC									
<i>(in SAR thousand)</i>									
2014	10,600	210,000	58,659	—	—	—	24,410	—	28,260
2015	19,875	110,625	55,024	118,000	—	—	24,410	—	93,860
2016	14,532	133,500	46,655	140,000	—	—	24,407	—	68,500
APP's effective share of dividends paid by Project Companies and NOMAC									
<i>(in SAR thousand)</i>									
2014	3,180	63,000	11,732	—	—	—	15,830	—	28,260
2015	5,963	33,188	11,005	47,200	—	—	15,830	—	93,860
2016	4,360	40,050	9,331	56,000	—	—	15,828	—	68,500
Payments under shareholder loans by Project Companies									
<i>(in SAR thousand)</i>									
2014	—	—	—	61,375	384,000	—	—	—	—
2015	—	—	307,500	—	165,000	—	—	67,785	—
2016	—	—	206,500	n/a	344,236	—	—	149,163	—
APP's effective share of payments under shareholder loans by Project Companies									
<i>(in SAR thousand)</i>									
2014	—	—	—	24,550	153,600	—	—	—	—
2015	—	—	61,500	—	66,000	—	—	25,080	—
2016	—	—	41,300	—	137,694	—	—	55,190	—

Note:

⁽¹⁾ The amounts of dividends for Bowarege represent declared dividends, out of which SAR 8.4 million, SAR 12.5 million and SAR 7.9 million in 2014, 2015 and 2016, respectively, were adjusted against related party balances related to servicing the equity loan of Bowarege (at Floating Ships for Water Projects Company).

Solely for the convenience of potential investors, the financial information in the table above is also presented in U.S. dollars in the table below, converted at the exchange rate of US\$1 = SAR 3.75. See “Presentation of Financial Information—Financial Information—U.S. Dollar Exchange Rate Convenience Translation.”

	SEPCO (SHUAIBAH EXPANSION IWP)	SWEC (SHUAIBAH IWPP)	JWAP (MARAFIQ IWPP)	SQWEC (SHUQAIQ IWPP)	RABEC (RABIGH IPP)	HEPCO (QURAYYAH IPP)	BOWAREGE ⁽¹⁾ (BOWAREGE IWP)	RAWEC (RAWEC IWSPP)	NOMAC
Dividends paid by Project Companies and NOMAC (in US\$ thousand)									
2014	2,827	56,000	15,642	—	—	—	6,509	—	7,536
2015	5,300	29,500	14,673	31,467	—	—	6,509	—	25,029
2016	3,875	35,600	12,441	37,333	—	—	6,509	—	18,267
APP's effective share of dividends paid by Project Companies and NOMAC (in US\$ thousand)									
2014	848	16,800	3,129	—	—	—	4,221	—	7,536
2015	1,590	8,850	2,935	12,587	—	—	4,221	—	25,029
2016	1,163	10,680	2,488	14,933	—	—	4,221	—	18,267
Payments under shareholder loans by Project Companies (in US\$ thousand)									
2014	—	—	—	16,367	102,400	—	—	—	—
2015	—	—	82,000	—	44,000	—	—	18,076	—
2016	—	—	55,067	n/a	91,796	—	—	39,777	—
APP's effective share of payments under shareholder loans by Project Companies (in US\$ thousand)									
2014	—	—	—	6,547	40,960	—	—	—	—
2015	—	—	16,400	—	17,600	—	—	6,688	—
2016	—	—	11,013	—	36,719	—	—	14,717	—

Note:

(1) The amounts of dividends for Bowarege represent declared dividends, out of which SAR 8.4 million (US\$2.2 million), SAR 12.5 million (US\$3.3 million) and SAR 7.9 million (US\$2.1 million) in 2014, 2015 and 2016, respectively, were adjusted against related party balances related to servicing the equity loan of Bowarege (at Floating Ships for Water Projects Company).

Operational Data for Project Companies

	SEPCO (SHUAIBAH EXPANSION IWP)	SWEC (SHUAIBAH IWPP)	JWAP (MARAFIQ IWPP)	SQWEC (SHUQAIQ IWPP)	RABEC (RABIGH IPP)	HEPCO (QURAYYAH IPP)	BOWAREGE (BOWAREGE IWP)	RAWEC (RAWEC IWSP)
(in %)								
Power technical availability								
2014	n/a	92.7	92.3	94.8	94.0	n/a	n/a	96.2
2015	n/a	85.5	98.2	96.9	92.8	75.6	n/a	93.3
2016	n/a	91.4	97.2	95.7	87.0	87.4	n/a	93.9
Water technical availability								
2014	96.4	89.6	94.8	96.2	n/a	n/a	60.9 ⁽¹⁾	97.1
2015	97.8	85.5	97.1	97.5	n/a	n/a	88.6	95.3
2016	96.5	91.3	98.8	99.4	n/a	n/a	88.7	92.7
Power forced outage rate								
2014	n/a	5.3	5.2	0.7	4.7	n/a	n/a	0.0
2015	n/a	5.7	0.3	1.1	5.8	24.0	n/a	0.0
2016	n/a	3.8	0.5	2.4	7.4	10.2	n/a	0.0
Water forced outage rate								
2014	0.9	8.6	3.2	2.8	n/a	n/a	39.1	0.0
2015	0.4	5.3	1.3	1.7	n/a	n/a	2.0	0.0
2016	1.7	3.9	0.5	0.0	n/a	n/a	4.6	0.3
Minimum power availability for triggering termination clauses⁽³⁾								
2014	n/a	67 ⁽⁴⁾	75 ⁽⁵⁾	67 ⁽⁴⁾	67 ⁽⁴⁾	75 ⁽⁴⁾	n/a	90 ⁽⁶⁾
2015	n/a	67 ⁽⁴⁾	75 ⁽⁵⁾	67 ⁽⁴⁾	67 ⁽⁴⁾	75 ⁽⁴⁾	n/a	90 ⁽⁶⁾
2016	n/a	67 ⁽⁴⁾	75 ⁽⁵⁾	67 ⁽⁴⁾	67 ⁽⁴⁾	75 ⁽⁴⁾	n/a	90 ⁽⁶⁾
Minimum water availability for triggering termination clauses⁽³⁾								
2014	67 ⁽⁴⁾	67 ⁽⁴⁾	75 ⁽⁵⁾	67 ⁽⁴⁾	n/a	n/a	95(76) ⁽⁷⁾	90 ⁽⁶⁾
2015	67 ⁽⁴⁾	67 ⁽⁴⁾	75 ⁽⁵⁾	67 ⁽⁴⁾	n/a	n/a	95(76) ⁽⁷⁾	90 ⁽⁶⁾
2016	67 ⁽⁴⁾	67 ⁽⁴⁾	75 ⁽⁵⁾	67 ⁽⁴⁾	n/a	n/a	95(76) ⁽⁷⁾	90 ⁽⁶⁾

Notes:

- (1) The water technical availability level at the Bowarege IWP in 2014 was adversely affected by the fire at one of the barges in September 2013, which kept it out of operation until August 2014.
- (2) The power outage rate was adversely affected by a boiler failure in 2015 which continued in 2016.
- (3) For a description of minimum power and water availability under termination clauses of the Projects, see "Description of the Projects and NOMAC's Operations—Description of Projects."
- (4) Calculated for any rolling period of 730 days.
- (5) Calculated for any rolling period of 12 months.
- (6) Average availability must be no less than 90% of the time in any 180-day period.
- (7) Calculated on a monthly basis. Bowarege is required under the terms of the Bowarege WPA to ensure the availability of the water plant at the level of no less than 95% during each month. This minimum availability level, however, is based on the requirement to provide 40,000 cubic meters of desalinated water per day, while the aggregate design capacity of the two barges is 50,000 cubic meters per day. Therefore, the effective minimum water availability for triggering the termination clause under the Bowarege WPA is 76%.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the rest of this Offering Memorandum, in particular sections entitled "Presentation of Financial and Other Information," "Use of Proceeds," "Capitalization," "NOMAC Restructuring," "Description of Certain Other Financing Arrangements of Restricted Companies," "Description of Certain Other Financing Arrangements of Project Companies," "Selected Historical Financial and Other Information" and the Financial Statements, together with the notes thereto, included in the F-pages of this Offering Memorandum, as well as "Risk Factors."

The historical consolidated financial data included in the following discussion and analysis of the financial condition and results of operations of the APP Group (which includes NOMAC) as of and for each of the years ended December 31, 2014, 2015 and 2016 have been derived from the Financial Statements. The Financial Statements and related notes included elsewhere in this Offering Memorandum include more detailed information regarding the basis of presentation for the information relating to the APP Group.

NOMAC is a subsidiary of APP and its results of operations are included in the Financial Statements. NOMAC's results of operations reflected not only the operation and maintenance services provided by it, its two subsidiaries and one joint venture to nine Projects in the Kingdom of Saudi Arabia, but also operation and maintenance services provided by it, its subsidiaries and joint ventures to other projects of the ACWA Power Group located in a number of countries outside of the Kingdom of Saudi Arabia.

For summary information relating to NOMAC's revenue, costs and other line items attributable to its operations in the Kingdom of Saudi Arabia, to Shuaibah IWPP, to its operations outside of the Kingdom of Saudi Arabia and management's estimate of elimination and unallocated corporate items during the years ended December 31, 2015 and 2016, see "Selected Historical Financial and Other Information—Selected Consolidated Financial Information of NOMAC." The information has been derived from the Financial Statements and accounting records of the APP Group.

Included in this section is certain financial data extracted from the audited financial statements of the Project Companies as of and for the years ended December 31, 2014, 2015 and 2016. The financial statements of the Project Companies are not included in this Offering Memorandum. See "Risk Factors—Risks Related to the APP Group, Projects and NOMAC—The financial statements of the Project Companies and NOMAC are not included in this Offering Memorandum."

The projections and other forward-looking statements in this section, including certain information derived from the Financial Model, are not guarantees of future performance and actual results of the APP Group, NOMAC and the Project Companies could differ materially from the projections and forward-looking statements in this section, including information derived from the Financial Model. Numerous factors could cause or contribute to such differences. See "Disclosure Regarding Forward-Looking Statements," "Presentation of Financial and Other Information—Presentation of Summary of the Financial Model" and "Risk Factors—Risks Related to the APP Group, Projects and NOMAC—The Project Companies", NOMAC's and the APP Group's financial results will differ from, and could be worse than, the results forecasted to be achieved by these entities in the Financial Model."

Certain monetary amounts, percentages and other figures included in this Offering Memorandum have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be the arithmetic aggregation of the figures that precede them, and figures expressed as percentages in the text may not total 100% or, as applicable, when aggregated may not be the arithmetic aggregation of the percentages that precede them.

Overview

ACWA Power Group

ACWA Power is a leading private developer of, investor in and operator of a portfolio of power generation and water desalination plants – both within the Kingdom of Saudi Arabia and regionally in the Middle East, Turkey, South Africa and South-East Asia. The ACWA Power Group was created in response to new opportunities that emerged in the Saudi Arabian electricity and desalinated water markets following the historic decision of the Saudi Arabian government, taken in 2002, to progressively open up the electricity generation and desalinated water production markets to private sector companies. Recognizing the significance of this unique opportunity, Abunayyan Trading Company and Abdulkadir Al Muhaidib and Sons Company (which together established ACWA Holding in 2002) and MADA Group created APP in 2004. APP then successfully bid for the Shuaibah IWPP and RAWEC IWSPP in 2005 and for the Shuqaiq IWPP and Marafiq IWPP in 2006. In 2008, ACWA Holding and MADA Group established ACWA Power to acquire APP and, in terms of strategy, to expand the ACWA Power Group's operations to

markets outside of the Kingdom of Saudi Arabia. Since 2008, ACWA Power has been the holding company for the ACWA Power Group. In 2013, Sanabil Direct Investment Company, a wholly owned subsidiary of the PIF, and the Public Pension Agency of the Kingdom of Saudi Arabia became shareholders of ACWA Power. In 2014, the IFC, a member of the World Bank Group, became a shareholder of ACWA Power with a 5% ownership interest.

The principal business of the ACWA Power Group is to participate in power generation and/or water desalination projects. In these projects, the relevant project company typically enters into a long-term offtake contract, with creditworthy (usually government-related) purchasers to sell the project's electricity generation capacity and/or desalinated water production capacity at a pre-agreed tariff as well as to sell electricity generated and/or desalinated water produced at the relevant project. The offtakers include investment-grade sovereign and quasi-sovereign entities, as well as resource/commodity-based industrial companies that require significant quantities of utility services and are usually capable of supplying their own fuel resources to the projects (for example, captive power plants for oil and gas companies). The ACWA Power Group co-invests in all of its projects with a view to maintaining sufficient technical and operational control over the performance of these projects. Typically, the ACWA Power Group does not operate third-party assets or own assets operated by third parties.

The ACWA Power Group's market strategy seeks to sustainably grow its power and desalinated water contracted capacities by focusing on sovereign and industrial offtake markets in the Kingdom of Saudi Arabia and certain other growing economies through the expansion of its existing facilities, the development of greenfield projects and the acquisition of ownership interests in companies operating existing plants.

As of January 1, 2017, ACWA Power had a portfolio of 35 power and/or desalinated water projects (counting the RAWEC Phase I Facilities and RAWEC Phase II Facilities as one project) that are either in operation, under construction or in advanced development in 12 countries, with a mix of renewable and conventional fuel projects. The ACWA Power Group's worldwide portfolio of plants in operation or development represented over 23 GW of electricity generation capacity and 2.5 million cubic meters per day of desalinated water production capacity as of January 2017. The ACWA Power Group operates many of its projects through NOMAC, an indirect wholly owned subsidiary of ACWA Power established in 2005, with several other projects operated through NOMAC's subsidiaries or joint ventures. NOMAC will be reorganized into a joint stock company and its international operations will be separated from its operations in the Kingdom of Saudi Arabia. See "*NOMAC Restructuring*."

Saudi Arabian Operations of the ACWA Power Group

This section summarizes the operations of the ACWA Power Group in the Kingdom of Saudi Arabia which it carries out through the eight Project Companies and NOMAC. Cash flows consisting of dividends and certain fees payable within the ACWA Power Group in respect of the Projects, will be used by us to make payments on the Bonds.

As of the date of this Offering Memorandum, the ACWA Power Group has eight Projects in the Kingdom of Saudi Arabia that have an aggregate contracted capacity of 10.1 GW of power (2.5 GW on net effective ownership basis) and 2.3 million cubic meters per day of desalinated water (657,000 cubic meters per day on net effective ownership basis).

The following table sets forth certain selected information about these eight Projects.

PROJECT	ACWA POWER'S LEGAL		OWNERSHIP SHARE (in %)	CONTRACTED POWER (in MW)	CONTRACTED WATER (in thousands of cubic meters per day)	CONTRACT TYPE	STATUS	PROJECT'S COMMERCIAL OPERATION DATE (ACTUAL OR EXPECTED)
	ACTUAL COSTS (in US\$ millions)	ESTIMATED COSTS (in US\$ millions)						
Shuaibah Expansion IWP ⁽¹⁾	233	n/a	30.75 ⁽²⁾	n/a	150	WPA / BOO ⁽³⁾ / 20 years	Operational	Q4 2009
Shuaibah IWPP ⁽⁴⁾	2,450	n/a	30	900	880	PWPA / BOO ⁽³⁾ / 20 years	Operational	Q1 2010
Marafiq IWPP ⁽⁵⁾	3,359	n/a	20	2,744	800	PWPA / BOOT ⁽⁶⁾ / 20 years	Operational	Q4 2010
Shuqaiq IWPP ⁽⁷⁾	1,831	n/a	40 ⁽⁸⁾	850	212	PWPA / BOO ⁽³⁾ / 20 years	Operational	Q2 2011
Rabigh IPP ⁽⁹⁾	2,506	n/a	40 ⁽¹⁰⁾	1,204	n/a	PPA / BOO ⁽³⁾ / 20 years	Operational	Q2 2013
Qurayyah IPP ⁽¹¹⁾	2,717	n/a	17.5	3,927	n/a	PPA / BOO ⁽³⁾ / 20 years	Operational	2017 ⁽¹²⁾
Bowarege IWP ⁽¹³⁾	99	n/a	64.85	—	50	WPA / BOO ⁽³⁾ / 3 years	Operational	Q2 2008
RAWEC IWSPP ⁽¹⁴⁾	1,141 ⁽¹⁵⁾	1,004 ⁽¹⁶⁾	37	520 ⁽¹⁷⁾	189 ⁽¹⁸⁾	RAWEC / WECA ⁽¹⁹⁾ / BOO ⁽³⁾ / 25 years	Operational / Under construction	Q2 2008 / Q4 2017 or Q1 2018 ⁽²⁰⁾

Notes:

- (1) SEPCO, the Project Company for the Shuaibah Expansion IWP, is a joint venture of APP in which APP has an indirect ownership interest.
- (2) ACWA Power's legal ownership is currently 30.75%. KAHROMAA, Projects Acquisition Company, SEC and SAMAWEC have assigned the beneficial ownership rights to their shares in SEPCO (0.5%, 0.5%, 0.5% and 1% of the total shares of SEPCO, respectively) to SEHCO, thereby reducing ACWA Power's effective ownership in SEPCO (and its effective share in rights to dividends from SEPCO) to 30%.
- (3) Build, operate and own. In this type of contract, the relevant power and/or desalinated water plant does not have to be transferred to the offtaker when the relevant PPA, WPA or PWPA expires. The Project Company will continue to own the plant.
- (4) SWEC, the Project Company for the Shuaibah IWPP, is a joint venture of APP in which APP has an indirect ownership interest.
- (5) JWAP, the Project Company for the Marafiq IWPP, is a joint venture of APP in which APP has an indirect ownership interest.
- (6) Build, own, operate and transfer. The Marafiq IWPP will have to be transferred to the offtaker when the PWPA expires.
- (7) SQWEC, the Project Company for the Shuqaiq IWPP, is a joint venture of APP in which APP has an indirect ownership interest.
- (8) ACWA Power intends to sell an 8% effective ownership stake in SQWEC. It has entered into an agreement with Apicorp, under which Apicorp agreed to acquire 13.3% of the shares of Shuqaiq International Water and Electricity Company. The 13.3% stake in Shuqaiq International Water and Electricity Company gives Apicorp an 8% effective ownership stake in SQWEC. The closing of this transaction is subject to customary approvals and is expected to occur in the second quarter of 2017. The Financial Model summarized in the section "Summary of the Financial Model" assumes a 32% ownership stake of APP in SQWEC.
- (9) RABEC, the Project Company for the Rabigh IPP, is a joint venture of APP in which APP has an indirect ownership interest.
- (10) ACWA Power intends to sell up to a 3% effective ownership stake in RABEC in the near future. As of the date of this Offering Memorandum, no definitive agreement for this sale exists. The Financial Model summarized in the section "Summary of the Financial Model" assumes a 37% ownership stake of APP in RABEC.
- (11) HEPCO, Project Company for the Qurayyah IPP, is a joint venture of APP in which APP has an indirect ownership interest.
- (12) In the case of the Qurayyah IPP, date when the dispute with SEC over Project's commercial operation date is expected to be resolved. HEPCO's scheduled Project's commercial operation date of June 30, 2014 was delayed. HEPCO requested SEC (the offtaker) to grant an extension to the time of completion, which was not granted by SEC. HEPCO issued a notice of dispute on April 26, 2015 under the dispute resolution procedure of the Qurayyah PPA. SEC acknowledged the notice of dispute and, in return, SEC issued a notice of dispute on May 7, 2015. Both SEC and HEPCO remain in discussions with respect to this dispute.
- (13) Bowarege, the Project Company for the Bowarege IWP, is a direct subsidiary of APP.
- (14) RAWEC, the Project Company for the RAWEC IWSPP, is an associate of APP in which APP has a direct ownership interest.
- (15) With respect to the RAWEC Phase I Facilities (see "Description of the Projects and NOMAC's Operations—Description of Projects—RAWEC IWSPP / RAWEC—Overview").
- (16) With respect to the RAWEC Phase II Facilities (see "Description of the Projects and NOMAC's Operations—Description of Projects—RAWEC IWSPP / RAWEC—Overview").
- (17) Consists of 360 MW for the RAWEC Phase I Facilities and 160 MW for the RAWEC Phase II Facilities (see "Description of the Projects and NOMAC's Operations—Description of Projects—RAWEC IWSPP / RAWEC—Overview").
- (18) Consists of 134,000 cubic meters per day for the RAWEC Phase I Facilities and 55,000 cubic meters per day for the RAWEC Phase II Facilities (see "Description of the Projects and NOMAC's Operations—Description of Projects—RAWEC IWSPP / RAWEC—Overview").

⁽¹⁹⁾ For the description of the RAWEC WECA, see “*Description of the Projects and NOMAC’s Operations—Description of Projects—RAWEC IWSPP / RAWEC—Key Contractual Agreements—Water and Energy Conversion Agreement.*”

⁽²⁰⁾ The Project’s commercial operation date for the RAWEC Phase II Facilities is currently expected to occur in or after the fourth quarter of 2017 (depending on when the offtaker fully complies with its obligations under the RAWEC WECA). The deemed acceptance date for the RAWEC Phase II Facilities occurred in June 2016 and RAWEC has received deemed capacity payments from the offtaker since that date.

For additional information about each of these Projects and a description of the shareholding structure of each Project Company, see “*Description of the Projects and NOMAC’s Operations—Description of Projects.*”

NOMAC operates (as an operation and maintenance contractor for the Shuqaiq IWPP, Qurayyah IPP and Bowarege IWP, or as a subcontractor to the operation and maintenance contractor for the Shuaibah Expansion IWP and Shuaibah IWPP), five of the eight above listed Projects (Shuaibah Expansion IWP, Shuaibah IWPP, Shuqaiq IWPP, Qurayyah IPP and Bowarege IWP). Two of NOMAC’s subsidiaries (Rabigh Operation and Maintenance Company for the Rabigh IPP and Rabigh Power Company for the RAWEC IWSPP) and one joint venture (Jubail O&M Company for the Marafiq IWPP) operate the remaining three Projects. See “*Description of the Projects and NOMAC’s Operations—Description of NOMAC’s Operations related to the Projects—Overview.*” In addition, NOMAC has entered into a contract to operate the Rabigh 2 IPP, which is currently under construction. As a result of the NOMAC Restructuring discussed under “*NOMAC Restructuring,*” NOMAC will not be an operation and maintenance subcontractor for the Shuaibah IWPP, but will continue to operate and maintain (together with its two subsidiaries and one joint venture) the remaining seven Projects and the Rabigh 2 IPP. Operation and maintenance services to the Shuaibah IWPP will be provided by a different newly created entity, which will be a subsidiary of NOMAC Holding Company and which will not be assigning any fees or dividends for the benefit of the Bondholders.

Principal Factors Affecting the Results of Operations of the APP Group and/or the Project Companies

Described below are certain principal factors that may be helpful in understanding the overall operating results of the APP Group and the Project Companies. These factors are based on the information currently available to the ACWA Power Group’s management and may not represent all of the factors that are relevant to an understanding of current or future results of operations of the APP Group and the Project Companies. See “*Risk Factors.*”

The Impact of the Proposed NOMAC Restructuring on the Presentation of the APP Group’s Results of Operations

NOMAC Limited was a subsidiary of APP during the period under review (from January 1, 2014 to December 31, 2016) and its results of operations are reflected in the Financial Statements. As a result of the commencement of the NOMAC Restructuring that is described under “*NOMAC Restructuring*” in more detail, the balances and results of operations of the NOMAC Group are classified as a disposal group in the 2016 Special-Purpose Financial Statements. Since operations of the NOMAC Group are treated as discontinued operations in the 2016 Special-Purpose Financial Statements, for the purposes of the year-on-year comparisons of the APP Group’s results of operations in 2014 and 2015, on the one hand, and in 2015 and 2016, on the other hand, we use two sets of APP Group special-purpose consolidated financial statements data as of and for the year ended December 31, 2015. The first one comes from the 2015 Special-Purpose Financial Statements and the second one comes from the 2016 Special-Purpose Financial Statements, both of which are included elsewhere in this Offering Memorandum. To allow potential investors to make meaningful comparisons between the APP Group’s results of operations in 2014 and 2015, we use data from the 2015 Special-Purpose Financial Statements, in which the results of operations of the NOMAC Group are not treated as discontinued operations of the APP Group, in the “*Summary,*” “*Selected Historical Financial and Other Information*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” sections of the Offering Memorandum. However, to allow potential investors to make meaningful comparisons between the APP Group’s results of operations in 2015 and 2016, we use data from the 2016 Special-Purpose Financial Statements, in which the results of operations of the NOMAC Group are treated as discontinued operations of the APP Group, in the same sections of the Offering Memorandum.

For the discussion of the results of the NOMAC Group in 2015 and 2016, see “*—Year Ended December 31, 2016 Compared to Year Ended December 31, 2015—Profit after Tax for the Year from Discontinued Operations.*”

Contracted Revenues

All Projects except Bowarege IWP have long-term contracted revenues and four of them have Saudi Arabian government guarantees to back the obligations of the offtakers. Due to the long-term nature of the contracts (with terms of 20 years for Shuaibah Expansion IWP, Shuaibah IWPP, Marafiq IWPP, Shuqaiq IWPP, Rabigh IPP and Qurayyah IPP or 25 years for RAWEC IWSPP), most Projects receive protection under the respective PPA, WPA or PWPA (and, in turn, provide similar protection to their respective operation and maintenance contractors) for inflation and, if the peg between the Saudi Arabian riyal and the U.S. dollar is no longer in existence, foreign exchange movements. This long-term nature of the offtake contracts allowed the seven Project Companies and NOMAC, two of its subsidiaries and one joint venture that serve as operation and maintenance contractors for the

respective Projects to have a more known and predictable earnings and cash flow profile in the past and is expected to continue to allow them to have such profile in the future (subject, however, to the various operating risks that the Projects and their operation and maintenance contractors remain exposed to).

Availability of Power and Water Plants

For all Project Companies other than Bowarege, capacity payments (payments made to the Project Company by the offtaker for the available capacity to supply electricity and/or desalinated water of the respective Project) constitute the majority of their revenues, while payments for electricity actually generated and sold and/or desalinated water actually produced and sold constitute a much smaller part of their revenues only intended to cover their variable operation and maintenance costs.

The following table sets forth the split of revenue of four Project Companies into capacity payments and output payments in 2014, 2015 and 2016.

	YEAR ENDED DECEMBER 31,		
	2014	2015	2016
	(in SAR thousand)		
SEPCO			
Capacity payments	133,558	134,628	134,696
Output payments	15,984	16,784	16,517
Revenue	149,542	151,412	151,213
SWEC			
Capacity payments	1,034,468	968,704	1,044,612
Output payments	46,814	42,433	46,259
Revenue	1,081,282	1,011,137	1,090,871
SQWEC			
Capacity payments	737,988	748,370	756,242
Output payments	44,107	51,207	54,005
Fuel payments	2,130	2,130	2,130
Revenue	784,225	801,707	812,377
HEPCO			
Capacity revenue	224,326	658,942	811,897
Sale of net electrical energy	32,603	110,704	126,798
Revenue	256,929	769,646	938,695

Capacity payments received by the other Project Companies (with the exception of Bowarege, which does not have capacity payments) represent a majority of the respective Project Companies' revenue.

During the period under review (from January 1, 2014 to December 31, 2016), the revenues of all Project Companies except Bowarege and the APP Group's revenue from services rendered (principally fees for operation and maintenance services provided by NOMAC, two of its subsidiaries and one joint venture to the Project Companies) and the APP Group's share in net income of an associate and joint ventures were critically dependent on capacity payments made to the Project Companies by the respective offtakers.

The impact of a temporary decrease in availability level (arising from unplanned or forced outages) resulting in loss of revenues and/or penalties for the Project may not necessarily have a material adverse impact on the APP Group (given that APP is typically just one of the several equity investors in the Project and receives dividends from the Project Companies in proportion to APP's shareholding in the Project Companies). In the event of a decrease in availability for longer periods, which may be caused by equipment failures or other events, the Projects have obtained insurances in line with market practice to protect against business interruptions. While the business interruption insurances provide protection from the loss of revenues, there is a residual exposure carried by the Projects in the form of deductible periods (typically ranging between 30 days to 60 days). Therefore, maintaining the requisite availability level at the Project Companies is crucial to their profitability and to the amount of dividends from such Project Companies as well as to the profitability of NOMAC as it or two of its subsidiaries and one joint venture operated and maintained the respective plants during the period under review.

Revenue of the Projects Completed during the Period under Review

We are relying on dividends from the Project Companies and NOMAC and certain fees for the payment of interest and re-payment of principal on the Bonds. The amount of such dividends depends on revenues received by the Project Companies and NOMAC, the aggregate amount of which increases as projects under construction are

completed and commence their operations. HEPCO declared Qurayyah IPP Projects' commercial operation date during the period under review (from January 1, 2013 to December 31, 2016). HEPCO declared the Project's commercial operation date for the Qurayyah IPP in the first quarter of 2015 (which was not accepted by SEC). HEPCO's revenue increased from SAR 256.9 million in 2014 to SAR 769.6 million in 2015. For a description of the dispute between HEPCO and SEC relating to the Project's commercial operation date for the Qurayyah IPP, see "*Description of the Projects and NOMAC's Operations—Legal Proceedings and Disputes.*"

The deemed acceptance date for the RAWEC Phase II Facilities occurred on June 22, 2016 and RAWEC started receiving deemed capacity payments from the offtaker after that date with respect to the RAWEC Phase II Facilities. The Project's commercial operation date for the RAWEC Phase II Facilities is currently expected to occur in or after the fourth quarter of 2017 (depending on when the offtaker fully complies with its obligations under the RAWEC WECA). As a result of the occurrence of the deemed acceptance date for the RAWEC Phase II Facilities in June 2016, RAWEC's revenue increased by SAR 270.7 million, or 43.9%, in 2016 as compared to 2015.

Decreasing Financial Charges

The following table sets out financial charges incurred by the Project Companies in 2014, 2015 and 2016.

	YEAR ENDED DECEMBER 31,		
	2014	2015	2016
	(in SAR thousand)		
SEPCO	49,525	39,587	37,576
SWEC	361,799	345,670	328,307
JWAP	600,703 ⁽¹⁾	536,961 ⁽²⁾	517,242 ⁽²⁾
SQWEC	354,728	312,715 ⁽³⁾	299,968
RABEC	467,696	464,037	440,097
HEPCO	63,716	232,138	268,165
Bowarege	3,778	2,744	1,968
RAWEC	152,771	148,052	231,316
Total	2,054,716	2,081,904	2,124,639
Total without HEPCO and RAWEC	1,838,229	1,701,714	1,625,158

Notes:

- (1) Consistent with the presentation in the financial statements of JWAP as of and for the year ended December 31, 2016, financial charges for the year ended December 31, 2014 in the financial statements of JWAP as of and for the year ended December 31, 2015 (SAR 589,168 thousand) were reclassified to SAR 600,703 thousand. The information on JWAP's financial charges in 2014 in this table is derived from the financial statements of JWAP as of and for the year ended December 31, 2015, adjusted by the management for this and other reclassifications for consistency of presentation with the financial statements of JWAP as of and for the year ended December 31, 2016.
- (2) Financial charges for the year ended December 31, 2015 in the financial statements of JWAP as of and for the year ended December 31, 2015 (SAR 524,560 thousand) were reclassified in the financial statements of JWAP as of and for the year ended December 31, 2016 to SAR 536,961 thousand. The information on JWAP's financial charges in 2015 in this table is derived from the financial statements of JWAP as of and for the year ended December 31, 2016.
- (3) Financial charges for the year ended December 31, 2015 in the financial statements of SQWEC as of and for the year ended December 31, 2015 (SAR 310,984 thousand) were reclassified in the financial statements of SQWEC as of and for the year ended December 31, 2016 to SAR 312,715 thousand. The information on SQWEC's financial charges in 2015 in this table is derived from the financial statements of SQWEC as of and for the year ended December 31, 2016.

Financial charges incurred by the Project Companies decreased over time with three exceptions (increases in financial charges incurred by HEPCO from SAR 63.7 million in 2014 to SAR 232.1 million in 2015 and to SAR 268.2 million in 2016, which were related to the fact that HEPCO declared the Project's commercial operation date for the Qurayyah IPP in the first quarter of 2015 (which was not accepted by SEC), and an increase in financial charges incurred by RAWEC from SAR 148.1 million in 2015 to SAR 231.3 million in 2016, which was related to the occurrence of the deemed acceptance date for the RAWEC Phase II Facilities in June 2016). In all of these cases, certain borrowing costs that were previously capitalized were no longer capitalized after HEPCO declared the Project's commercial operation date for the Qurayyah IPP in the first quarter of 2015 and after the occurrence of the deemed acceptance date for the RAWEC Phase II Facilities in June 2016. This trend of steadily decreasing finance charges is expected to continue in the future for most Project Companies, (except for Bowarege).

Planned Outages and Seasonality

While a large part of Project Companies' revenues is derived from available capacity payments, the Projects are exposed to seasonality on available capacity. Given that all Projects are located in the Kingdom of Saudi Arabia, in

which the power and water demand is higher during the summer (typically five months from May to September) instead of the winter period (typically from October to April), the Projects undertake planned outages during the winter period every year. As a result of the planned outages, the availability of the Projects during such periods is lower. As a result, the Project Companies typically experience higher revenues and operating profits in the second and third quarters compared to the first and fourth quarters.

Staff Costs and Maintenance Costs

Staff costs represent a significant amount of the overall costs for the APP Group (for instance, staff cost accounted for 34.3% and 25.7% of the APP Group's operating costs in 2014 and 2015 (with respect to 2015, based on the data from the 2015 Special-Purpose Financial Statements), respectively, and salaries and other employee benefits accounted for 45.5%, 43.6% and 65.6% of the APP Group's total general and administration expenses in 2014, 2015 (with respect to 2015, based on the data from the 2015 Special-Purpose Financial Statements) and 2016, respectively). Staff costs included in the operating costs are mostly staff costs of the NOMAC Group. Therefore, in the 2016 Special-Purpose Financial Statements, in which operations of the NOMAC Group are treated as discontinued operations, staff costs are no longer listed as a separate component of operating costs of the APP Group.

The power and/or water plants have multiple rotating or operating parts that require periodic maintenance throughout the operations phase (annual maintenance, mid-phase maintenance and major maintenance). The operation and maintenance costs represent a significant amount of the Project Companies' costs. For instance, in 2016, operation and maintenance costs accounted for 62.3% of total operating cost of SEPCO, 25.0% of total operating cost of SWEC, 44.3% of total operating costs of SQWEC, 26.4% of total operating costs of RABEC, 53.5% of total operating costs of HEPCO and 44.2% of total operating costs of Bowarege.

While the operation and maintenance contractors (including NOMAC, two of its subsidiaries and one joint venture that served as operation and maintenance contractors for the eight Projects) were compensated by the Project Companies through the operation and maintenance service fees that are adjusted for inflation, there could be an exposure to NOMAC and its two subsidiaries and one joint venture in case the staff numbers or maintenance costs are higher than the original estimates.

Distributions from Project Companies

Most Project Companies distribute cash flows (dividends, payments on shareholder loans, operation and maintenance fees, management fees and other service fees) through a cash waterfall mechanism in their financing documents, in which the costs of the Project Company such as operation and maintenance fees, taxes, debt payments, salaries and similar payments are made before its shareholders receive dividends. The ability of the Project Companies to distribute cash flows is also dependent on satisfying the covenant tests under their financing arrangements. During the period under review (from January 1, 2014 to December 31, 2016) the Project Companies complied with all covenant tests under their respective financing arrangements. See "*Description of Certain Other Financing Arrangements of Project Companies.*"

The amount of dividends that APP receives from the Project Companies is proportional to the direct or indirect ownership stake it holds in the Project Companies. APP holds a minority stake in all Project Companies except Bowarege, which is a consolidated subsidiary of APP.

Factors Affecting Comparability of the Results of Operations of the APP Group with Future Results of Operations of the APP Group

NOMAC Restructuring

NOMAC Limited was a subsidiary of APP during the period under review (from January 1, 2014 to December 31, 2016) and its results of operations are reflected in the Financial Statements. For the discussion of the impact of the proposed NOMAC Restructuring on the presentation of the APP Group's results of operations in the 2016 Special-Purpose Financial Statements, see "*—Principal Factors Affecting the Results of Operations of the APP Group and/or the Project Companies—The Impact of the Proposed NOMAC Restructuring on the Presentation of the APP Group's Results of Operations.*"

Following the transfer of shares of NOMAC to NOMAC Holding Company, NOMAC will no longer be a subsidiary of APP and its results of operations will no longer be reflected in the future financial statements of the APP Group. As a result of the NOMAC Restructuring discussed in "*NOMAC Restructuring,*" NOMAC JSC will no longer be an operation and maintenance services provider for the international projects of the ACWA Power Group or for the Shuaibah IWPP, but will continue to operate and maintain (together with its two subsidiaries and one joint venture) the remaining seven Projects and the Rabigh 2 IPP. Operations and maintenance services to the Shuaibah IWPP will be provided by a different newly created entity, which will be a subsidiary of NOMAC Holding Company and which will not be assigning any fees or dividends for the benefit of the Bondholders.

Sale of stakes in SQWEC and RABEC

ACWA Power intends to sell an 8% ownership stake in SQWEC. It has entered into an agreement with Apicorp, under which Apicorp agreed to acquire 13.3% of the shares of Shuqaiq International Water and Electricity Company. The 13.3% stake in Shuqaiq International Water and Electricity Company gives Apicorp an 8% effective ownership stake in SQWEC. The closing of this transaction is subject to customary approvals and is expected to occur in the second quarter of 2017. ACWA Power also intends to sell a 3% ownership stake in RABEC in the near future. As of the date of this Offering Memorandum, no definitive agreement for the sale of such effective ownership stake in RABEC exists. The Financial Model assumes a 32% ownership stake of ACWA Power in SQWEC and a 37% ownership stake of ACWA Power in RABEC in 2017.

MEPCO Restructuring

In the end of April 2017, ACWA Power completed the restructuring of its shareholdings in MEPCO. Following the transfer of shares of Rabigh Expansion Company from APP to a wholly owned subsidiary of ACWA Power, APP no longer has any ownership interest in MEPCO and, therefore, has no share in net income or net loss of MEPCO. The APP Group's share in net loss of MEPCO amounted to SAR 353 thousand, SAR 478 thousand and SAR 152 thousand in 2014, 2015 and 2016, respectively.

APP Group's Results of Operations

As a result of the commencement of the NOMAC Restructuring, the balances and results of operations of the NOMAC Group are classified as a disposal group in the 2016 Special-Purpose Financial Statements. Since operations of the NOMAC Group are treated as discontinued operations in the 2016 Special-Purpose Financial Statements, for the purposes of the year-on-year comparisons of the APP Group's results of operations in 2014 and 2015, on the one hand, and in 2015 and 2016, on the other hand, we use two sets of APP Group special-purpose consolidated financial statements data as of and for the year ended December 31, 2015. The first one comes from the 2015 Special-Purpose Financial Statements and the second one comes from the 2016 Special-Purpose Financial Statements, both of which are included elsewhere in this Offering Memorandum. To allow potential investors to make meaningful comparisons between the APP Group's results of operations in 2014 and 2015, we use data from the 2015 Special-Purpose Financial Statements, in which the results of operations of the NOMAC Group are not treated as discontinued operations of the APP Group. However, to allow potential investors to make meaningful comparisons between the APP Group's results of operations in 2015 and 2016, we use data from the 2016 Special-Purpose Financial Statements, in which the results of operations of the NOMAC Group are treated as discontinued operations of the APP Group.

The following table sets forth special-purpose consolidated statement of income data for the APP Group for the years ended December 31, 2014 and 2015 extracted from the 2014 Special-Purpose Financial Statements and 2015 Special-Purpose Financial Statements, respectively. For the year ended December 31, 2015, the NOMAC Group is not treated as discontinued operations of the APP Group.

	YEAR ENDED DECEMBER 31,	
	2014	2015
	(in SAR thousand)	
Revenue	717,892	1,201,112
Operating costs	(493,855)	(871,157)
Gross profit	224,037	329,955
Share in net income of an associate and joint ventures	364,348	300,525
Development expenses	(4,902)	(158)
General and administration expenses	(135,763)	(165,597)
Income from main operations	447,720	464,725
Write-off of property, plant and equipment	—	n/a
Other income	66,956	10,973
Financial charges	(27,387)	(27,532)
Income before zakat, tax and minority interests	487,289	448,166
Zakat and tax	(6,926)	(18,981)
Income before minority interests	480,363	429,185
Minority interests	(36,793)	(20,015)
Net income for the year	443,570	409,170

The APP Group prepares its financial statements in Saudi riyals. Solely for the convenience of potential investors, the financial information in the table above is also presented in U.S. dollars below, converted at the exchange rate of US\$1 = SAR 3.75. See “Presentation of Financial and Other Information—Financial Information—U.S. Dollar Exchange Rate Convenience Translation.”

	YEAR ENDED DECEMBER 31,	
	2014	2015
	(in US\$ thousand)	
Revenue	191,438	320,297
Operating costs	(131,695)	(232,309)
Gross profit	59,743	87,988
Share in net income of associates and joint ventures	97,159	80,140
Development expenses	(1,307)	(42)
General and administration expenses	(36,203)	(44,159)
Income from main operations	119,392	123,927
Write-off of property, plant and equipment	—	n/a
Other income	17,855	2,926
Financial charges	(7,303)	(7,342)
Income before zakat, tax and minority interests	129,944	119,511
Zakat and tax	(1,847)	(5,062)
Income before minority interests	128,097	114,449
Minority interests	(9,811)	(5,337)
Net income for the year	118,285	109,112

The following table sets forth special-purpose consolidated statement of income data for the APP Group for the years ended December 31, 2015 and 2016 extracted from the 2016 Special-Purpose Financial Statements. For the year ended December 31, 2015, the NOMAC Group is treated as discontinued operations of the APP Group.

	YEAR ENDED DECEMBER 31,	
	2015	2016
	(in SAR thousand)	
Continuing operations		
Revenue	143,187	151,517
Operating costs	(41,638)	(40,719)
Gross profit	101,549	110,798
Share in net income of an associate and joint ventures	285,422	343,771
Development expenses	(158)	—
General and administration expenses	(32,451)	(33,115)
Income from main operations	354,362	421,454
Other income	11,064	55,678
Financial charges	(23,457)	(28,942)
Income before zakat, tax and minority interests	341,969	448,190
Zakat and tax	(2,850)	(1,484)
Income before minority interests and income from discontinued operations	339,119	446,706
Discontinued operations		
Income before minority interests and after tax for the year from discontinued operations	90,066	138,352
	429,185	585,058
Minority interests	(20,015)	(25,303)
Net income for the year	409,170	559,755

The APP Group prepares its financial statements in Saudi riyals. Solely for the convenience of potential investors, the financial information in the table above is also presented in U.S. dollars in the table below, converted at the exchange rate of US\$1 = SAR 3.75. See “Presentation of Financial and Other Information—Financial Information—U.S. Dollar Exchange Rate Convenience Translation.”

	YEAR ENDED DECEMBER 31,	
	2015	2016
	(in US\$ thousand)	
Continuing operations		
Revenue	38,183	40,405
Operating costs	(11,103)	(10,858)
Gross profit	27,080	29,546
Share in net income of an associate and joint ventures	76,113	91,672
Development expenses	(42)	—
General and administration expenses	(8,654)	(8,831)
Income from main operations	94,497	112,388
Other income	2,950	14,847
Financial charges	(6,255)	(7,718)
Income before zakat, tax and minority interests	91,192	119,517
Zakat and tax	(760)	(396)
Income before minority interests and income from discontinued operations	90,432	119,122
Discontinued operations		
Income before minority interests and after tax for the year from discontinued operations	24,018	36,894
Minority interests	(5,337)	(6,747)
Net income for the year	109,112	149,268

The following table sets forth the special-purpose consolidated statement of income data for the NOMAC Group (after intragroup eliminations) for the years ended December 31, 2015 and 2016 extracted from note 26 (Discontinued Operations) of the 2016 Special-Purpose Financial Statements of the APP Group.

	YEAR ENDED DECEMBER 31,	
	2015	2016
	(in SAR thousand)	
Revenue	1,014,645	1,062,145
Direct costs	(803,989)	(808,145)
Gross profit	210,656	254,000
General and administration expenses	(118,645)	(140,522)
Income from main operations	92,011	113,478
Share of net income in associates and a joint venture	15,845	37,186
Other income	297	2,800
Financial charges	(4,075)	(2,108)
Income before zakat, tax and minority interest	104,078	151,356
Zakat and tax	(14,012)	(13,004)
Income before minority interest	90,066	138,352
Minority interests	(8,604)	(9,755)
Net income for the year	81,462	128,597

The APP Group prepares its financial statements in Saudi riyals. Solely for the convenience of potential investors, the financial information in the table above is also presented in U.S. dollars in the table below, converted at the exchange rate of US\$1 = SAR 3.75. See “*Presentation of Financial and Other Information—Financial Information—U.S. Dollar Exchange Rate Convenience Translation.*”

	YEAR ENDED DECEMBER 31,	
	2015	2016
	(in US\$ thousand)	
Revenue	270,572	283,239
Direct costs	(214,397)	(215,505)
Gross profit	56,175	67,733
General and administration expenses	(31,639)	(37,473)
Income from main operations	24,536	30,261
Share of net income in associates and a joint venture	4,225	9,916
Other income	79	747
Financial charges	(1,087)	(562)
Income before zakat, tax and minority interest	27,754	40,362
Zakat and tax	(3,737)	(3,468)
Income before minority interest	24,018	36,894
Minority interests	(2,294)	(2,601)
Net income for the year	21,723	34,293

Description of Key Income Statement Items

NOMAC and Bowarege are consolidated subsidiaries of APP and their results of operations are reflected in the Financial Statements although, due to the commencement of the NOMAC Restructuring, the operations of the NOMAC Group are presented as discontinued operations of the APP Group in the 2016 Special-Purpose Financial Statements. See “—*Principal Factors Affecting the Results of Operations of the APP Group and/or the Project Companies—The Impact of the Proposed NOMAC Restructuring on the Presentation of the APP Group’s Results of Operations*”. APP consolidates the revenues, costs and all other line items from NOMAC, Bowarege and other underlying subsidiaries. APP directly or indirectly holds a minority stake in all Project Companies except Bowarege. APP Group’s investments in the Project Companies other than Bowarege are accounted for using the equity method of accounting, under which APP only recognizes its ownership share in net income of its associate (RAWEC) or its joint ventures (SEPCO, SWEC, JWAP, SQWEC, RABEC and HEPCO).

Revenue

Revenue earned by the APP Group consists of two components: revenue from services rendered and revenue from sale of water. Revenue for services rendered by the APP Group in 2014 as set forth in the 2014 Special-Purpose Financial Statements and in 2015 as set forth in the 2015 Special-Purpose Financial Statements principally related to revenue from the provision of operation and maintenance services by the NOMAC Group to entities within the ACWA Power Group.

Revenue for services rendered by the APP Group in 2015 and 2016 as set forth in the 2016 Special-Purpose Financial Statements no longer included any revenue from the provision of operation and maintenance services by the NOMAC Group because the NOMAC Group’s operations in both 2015 and 2016 were presented as discontinued operations in the 2016 Special-Purpose Financial Statements. Revenue for services rendered by the APP Group in 2015 and 2016 principally consisted of development fees and fees for management and technical services provided to entities within the ACWA Power Group. Revenue for services rendered by the APP Group in 2015 (SAR 9.4 million) and 2016 (SAR 13.5 million) as set forth in the 2016 Special-Purpose Financial Statements represents a small fraction of revenue for services rendered by the APP Group in 2014 (SAR 625.3 million) as set forth in the 2014 Special-Purpose Financial Statements and in 2015 (SAR 1,067.4 million) as set forth in the 2015 Special-Purpose Financial Statements.

Operating Costs

The largest components of operating costs of the APP Group in 2014 as set forth in the 2014 Special-Purpose Financial Statements and in 2015 as set forth in the 2015 Special-Purpose Financial Statements were (i) station operating costs, including material costs and (ii) staff costs, which included costs of employees (principally from the NOMAC Group) directly involved in key operations of the APP Group. Other components of operating costs included (i) depreciation charges (principally at Bowarege) and (ii) other direct overheads principally from the NOMAC Group. For the split of operating costs by component, see “—*Year Ended December 31, 2015 Compared to Year Ended*

December 31, 2014—Operating Costs.” The operating costs of the APP Group in 2015 and 2016 as set forth in the 2016 Special-Purpose Financial Statements no longer included any operating costs of the NOMAC Group because the NOMAC Group’s operations in both 2015 and 2016 were presented as discontinued operations in the 2016 Special-Purpose Financial Statements. For the split of operating costs by component, see “—Year Ended December 31, 2016 Compared to Year Ended December 31, 2015—Operating Costs.”

Share in Net Income of Associate and Joint Ventures

APP enters into investments through either (i) an associate (RAWEC) or joint ventures (SEPCO, SWEC, JWAP, SQWEC, RABEC, HEPCO and MEPCO) in which it shares effective control with other parties (and has significant influence over financial and operating policies of an associate) or (ii) controlled subsidiaries (Bowarege), in which it exercises control over most operating decisions. If the investment is in the form of a controlled subsidiary, APP consolidates the revenues, costs and all other line items from the underlying subsidiaries. In the event that the investment is in the form of an associate or a joint venture, APP only recognizes its ownership share in net income of such associate or joint venture (i.e., the APP Group’s investments in its associate and joint ventures are accounted for using the equity method of accounting from the date that the significant influence or joint-control commences until the date that such influence or joint-control ceases). As a result, a substantial portion of APP’s earnings are derived from share in net income of an associate and joint ventures.

Development Expenses

Development expenses are on account of deferred costs that are charged to the income statement when under development projects are no longer considered feasible. The APP Group maintains a provision against deferred costs for projects under development, based on the average historical success rate. Development expenses during the period under review (from January 1, 2014 to December 31, 2016) were not significant. They reached SAR 4.9 million in 2014 but were much lower or non-existent in the other two years (SAR 0.2 million in 2015 and nil in 2016).

General and Administration Expenses

The largest component of general and administration expenses of the APP Group during the period under review was salaries and other employee benefits, which accounted for 45.5%, 43.6%, and 65.6% of total general and administration expenses in the years ended December 31, 2014, 2015 (with respect to 2015, based on the data from the 2015 Special-Purpose Financial Statements) and 2016, respectively. These salaries and other employee benefits included costs of employees not directly involved in key operations of the APP Group. For the split of general and administration expenses by component, see “—Year Ended December 31, 2016 Compared to Year Ended December 31, 2015—General and Administration Expenses” and “—Year Ended December 31, 2015 Compared to Year Ended December 31, 2014—General and Administration Expenses.”

Other Income

The APP Groups other income during the period under review (from January 1, 2014 to December 31, 2016) was not significant except for (i) insurance income related to Bowarege fire incident in September 2013 and (ii) unrealized gain on derivatives in 2016. Insurance income related to Bowarege fire incident amounted to SAR 55.5 million in 2014 (or 82.9% of total other income of the APP Group in that year). Unrealized gain on derivatives amounted to SAR 38.2 million in 2016 (or 68.6% of total other income of the APP Group in 2016).

Financial Charges

The largest component of the APP Group’s financial charges in each of the years and periods under review was interest (the corresponding line item was called “commission on long-term loans and facilities” in the 2015 Special-Purpose Financial Statements and “special commission expense on long-term loans and facilities” in the 2016 Special-Purpose Financial Statements) on long-term loans and facilities, which included (i) Shuaibah National Company for Water and Power’s five year medium-term finance facility from Arab National Bank, (ii) Bowarege’s loan from Saudi Industrial Development Fund and (iii) Floating Ships Company for Water Projects Limited’s long-term facility from a local commercial bank. See “*Description of Certain Other Financing Arrangements of Project Companies.*” Other components of the APP Group’s financial charges included commission on letters of guarantee and other financial charges.

Zakat and Income Tax

Only non-Saudi investors are liable for income tax in the Kingdom of Saudi Arabia. In most cases, Saudi citizen investors are liable for zakat, an Islamic assessment. Where a company is owned by both Saudi and non-Saudi interests, the portion of taxable income attributable to the non-Saudi interest is subject to income tax and the Saudi share goes into the basis on which zakat is assessed.

APP’s own zakat is charged to equity. Zakat and tax shown in the income statement of the APP Group is only the zakat and tax from subsidiaries of APP.

The rate of corporate income tax is 20% of the net adjusted profits. Zakat is charged on the company's zakat base at 2.5%. Zakat base represents the net worth of the entity as calculated for zakat purposes.

Minority Interests

Minority interests represent the share of shareholders other than APP in the net income of APP's consolidated subsidiaries.

Future Change in Accounting Standards

APP, NOMAC and the Project Companies prepare their respective financial statements in accordance with Saudi GAAP. Accounting principles under Saudi GAAP differ in certain respects from accounting principles under IFRS. APP, NOMAC and the Project Companies have not prepared their respective financial statements in accordance with IFRS or prepared a reconciliation of their respective financial statements to IFRS. Certain of the significant differences between Saudi GAAP and IFRS as they relate to APP in particular are described in "*—Summary of Significant Differences Between Saudi GAAP and IFRS.*"

APP, NOMAC and the Project Companies will continue to prepare their respective financial statements under Saudi GAAP in 2017. It is currently expected that the Kingdom of Saudi Arabia will adopt IFRS in 2018, in which case APP, NOMAC and the Project Companies will start preparing their respective financial statements under IFRS starting from 2018. See "*—Summary of Significant Differences Between Saudi GAAP and IFRS—Convergence of Saudi GAAP to IFRS.*"

Year Ended December 31, 2016 Compared to the Year Ended December 31, 2015

The year-on-year comparisons in this section are based on the data from the 2016 Special-Purpose Financial Statements that present the operations of the NOMAC Group in both 2015 and 2016 as discontinued operations due to the commencement of the NOMAC Restructuring described in more detail under "*NOMAC Restructuring.*"

Revenue

Revenue of the APP Group increased by SAR 8.3 million, or 5.8%, from SAR 143.2 million in 2015 to SAR 151.5 million in 2016.

The following table sets out information on the two components of APP Group's revenue (services rendered and sale of water), APP Group's total revenue and the percentage of APP Group's total revenue represented by revenue from services rendered and sale of water in 2015 and 2016 as well as the percentage change in revenue from services rendered, revenue from sale of water and APP Group's total revenue between the two years.

	YEAR ENDED DECEMBER 31, 2015	SHARE OF TOTAL REVENUE	YEAR ENDED DECEMBER 31, 2016	SHARE OF TOTAL REVENUE	PERCENTAGE CHANGE
	(in SAR thousand)	(in %)	(in SAR thousand)	(in %)	
Services rendered	9,425	6.6	13,461	8.9	42.8
Sale of water	133,762	93.4	138,056	91.1	3.2
Total revenue	<u>143,187</u>	<u>100.0</u>	<u>151,517</u>	<u>100.0</u>	<u>5.8</u>

Services Rendered. Revenue of the APP Group from services rendered increased by SAR 4.0 million, or 42.8%, from SAR 9.4 million in 2015 to SAR 13.5 million in 2016, consisting principally of development fees and fees for management and technical services provided to entities within the ACWA Power Group.

Sale of Water. Revenue of the APP Group from sales of water increased by SAR 4.3 million, or 3.2%, from SAR 133.8 million in 2015 to SAR 138.1 million in 2016. This increase in revenue from sales of water is principally due to slightly higher water technical availability of the two barges at the Bowarege IWP in 2016 as compared to 2015.

Operating Costs

The following table sets out information on components of APP Group's operating costs, APP Group's total operating costs and the percentage of APP Group's total operating costs represented by each of their two components in 2015 and 2016 as well as the percentage change in each of the components of total operating costs and APP Group's total operating costs between the two years.

	YEAR ENDED DECEMBER 31, 2015	SHARE OF TOTAL OPERATING COSTS	YEAR ENDED DECEMBER 31, 2016	SHARE OF TOTAL OPERATING COSTS	PERCENTAGE CHANGE
	(in SAR thousand)	(in %)	(in SAR thousand)	(in %)	
Depreciation	29,827	71.6	30,852	75.8	3.4
Direct costs	11,811	28.4	9,867	24.2	(16.5)
Total operating costs	41,638	100.0	40,719	100.0	(2.2)

Operating costs of the APP Group decreased by SAR 0.9 million, or 2.2%, from SAR 41.6 million in 2015 to SAR 40.7 million in 2016. A decrease in direct costs in the amount of SAR 1.9 million in 2016 as compared to 2015 was partially offset by an increase in depreciation by SAR 1.0 million between the two years, principally related to slightly higher depreciation charges at Bowarege in 2016 as compared to 2015.

Share in Net Income of an Associate and Joint Ventures

The following table sets out information on components of APP Group's share in net income of an associate and joint ventures, APP Group's total share in net income of an associate and joint ventures and the percentage of APP Group's total share in net income of an associate and joint ventures represented by each of the components in 2015 and 2016 as well as the percentage change in each of the components of total share in net income of an associate and joint ventures and APP Group's total share in net income of an associate and joint ventures between the two years.

	PERCENTAGE OF OWNERSHIP	SHARE IN NET INCOME (LOSS) IN 2015	PERCENTAGE OF TOTAL SHARE IN NET INCOME (LOSS)	SHARE IN NET INCOME (LOSS) IN 2016	PERCENTAGE OF TOTAL SHARE IN NET INCOME (LOSS)	PERCENTAGE CHANGE
	(in %)	(in SAR thousand)	(in %)	(in SAR thousand)	(in %)	
SAMAWEC (intermediate holding company for the Shuaibah Expansion IWP and Shuaibah IWPP)	50.0	67,418	23.6	107,609	31.3	59.6
SGA Marafiq Holdings W.L.L (intermediate holding company for the Marafiq IWPP)	33.3	40,258	14.1	43,101	12.5	7.1
Shuqaiq International Water and Electricity Company (intermediate holding company for the Shuqaiq IWPP)	66.7	53,097	18.6	59,890	17.4	12.8
RABEC (Project Company for the Rabigh IPP)	40.0	71,049	24.9	46,292	13.5	(34.8)
Qurayyah Investment Company (intermediate holding company for the Qurayyah IPP)	35.0	8,542	3.0	10,128	2.9	18.6
RAWEC (Project Company for the RAWEC IWSP)	37.0	45,536	16.0	76,903	22.4	68.9
MEPCO (project company for the Rabigh 2 IPP)	50.0	(478)	(0.2)	(152)	(0.0)	(68.2)
Total share in net income of an associate and joint ventures		285,422	100.0	343,771	100.0	20.4

APP Group's share in net income of an associate and joint ventures increased by SAR 58.3 million, or 20.4%, from SAR 285.4 million in 2015 to SAR 343.8 million in 2016.

This increase was principally due to (i) the increase by SAR 40.2 million in the APP Group's share in net income of SAMAWEC, the intermediate holding company for the Shuaibah Expansion IWP and Shuaibah IWPP and (ii) the increase by SAR 31.4 million in the APP Group's share in net income of RAWEC. For the explanation of the significant increase in net income of SWEC, the project company for the Shuaibah IWPP, in 2016 as compared to 2015, see "*—Results of Operations of the Project Companies—Year Ended December 31, 2016 Compared to the Year Ended December 31, 2015—SWEC (Project Company for the Shuaibah IWPP)*." For the explanation of the significant increase in net income of RAWEC in 2016 as compared to 2015, see "*—Results of Operations of the Project Companies—Year Ended December 31, 2016 Compared to the Year Ended December 31, 2015—RAWEC (Project Company for the RAWEC IWSPP)*." The impact of these increases in the APP Group's share in net income of SAMAWEC and RAWEC was partially offset by the decrease in the APP Group's share in net income of RABEC (by SAR 24.8 million). This decrease was principally due to a relatively high level of forced outages at the Rabigh IPP in 2016 (7.4%). This relatively high level of forced outages at Rabigh IPP adversely affected RABEC's revenue and net income and, consequently, the APP Group's share in net income of RABEC.

General and Administration Expenses

The following table sets out the components of APP Group's general and administration expenses, APP Group's total general and administration expenses and the percentage of APP Group's total general and administration expenses represented by each of their seven components in 2015 and 2016 as well as the percentage change in each of the components of total general and administration expenses and APP Group's total general and administration expenses between 2016 and 2015.

	YEAR ENDED DECEMBER 31, 2015	SHARE OF TOTAL GENERAL AND ADMINISTRATION EXPENSES	YEAR ENDED DECEMBER 31, 2016	SHARE OF TOTAL GENERAL AND ADMINISTRATION EXPENSES	PERCENTAGE CHANGE
	(in SAR thousand)	(in %)	(in SAR thousand)	(in %)	
Salaries and other employee benefits	19,331	59.6	21,732	65.6	12.4
Insurance expenses	4,333	13.4	4,146	12.5	(4.3)
Professional and legal fees	4,522	13.9	2,886	8.7	(36.2)
Depreciation	357	1.1	362	1.1	1.4
Rent expenses	807	2.5	924	2.8	14.5
Repairs and maintenance expenses	1,358	4.2	151	0.5	(88.9)
Other	1,743	5.4	2,914	8.8	67.2
Total general and administration expenses	32,451	100.0	33,115	100.0	2.0

General and administration expenses of the APP Group increased by SAR 0.7 million, or 2.0%, from SAR 32.5 million in 2015 to SAR 33.1 million in 2016. The increase in general and administration expenses between the two years was principally due to the increase in salaries and other employee benefits from SAR 19.3 million in 2015 to SAR 21.7 million in 2016 (by SAR 2.4 million) partially offset by the decrease in professional and legal fees from SAR 4.5 million in 2015 to SAR 2.9 million in 2016 (by SAR 1.6 million). The decrease in professional and legal fees between the two years was principally due to higher fees of technical consultants related to projects under construction and projects in the commissioning phase in 2015 as compared to 2016.

Other Income

Other income of the APP Group increased by SAR 44.6 million, or 403.2%, from SAR 11.1 million in 2015 to SAR 55.7 million in 2016. This increase in other income between the two years was principally due to unrealized gain on derivatives in the amount of SAR 38.2 million in 2016 as compared to nil in 2015. The APP Group holds put and call options on the equity ownership of another shareholder in an associate (RAWEC). See "*Description of the Projects and NOMAC's Operations—Description of Projects—RAWEC IWSPP/RAWEC—Key Contractual Agreements—Option Agreement*." These options are measured as derivatives with changes in fair value recognized in the statement of income. Such a change in fair value in 2016 amounted to SAR 38.2 million.

Financial Charges

Financial charges of the APP Group increased by SAR 5.5 million, or 23.4%, from SAR 23.5 million in 2015 to SAR 28.9 million in 2016. This increase was principally due to the SAR 7.2 million increase in special commission

expenses on long-term loans and facilities in 2016 as compared to 2015, which was partially offset by the SAR 1.6 million decrease in commission on letters of guarantee between the two years.

Income Before Minority Interests and after Tax for the Year from Discontinued Operations

As a result of the commencement of the NOMAC Restructuring, the balances and results of operations of the NOMAC Group are classified as a disposal group in the 2016 Special-Purpose Financial Statements. Since operations of the NOMAC Group are treated as discontinued operations in the 2016 Special-Purpose Financial Statements, only one line item (“profit after tax for the year from discontinued operations”) appears in the income statement of the APP Group to present the contribution of the NOMAC Group to the results of operations of the APP Group in 2015 and 2016.

Income before minority interests and after tax for the year from discontinued operations increased by SAR 48.3 million, or 53.6%, from SAR 90.1 million in 2015 to SAR 138.4 million in 2016.

The following table sets forth special-purpose consolidated statement of income data for the NOMAC Group for the years ended December 31, 2015 and 2016 extracted from Note 26 to the 2016 Special-Purpose Financial Statements. This table provides details on how profit after tax for the year from discontinued operations for the APP Group has been calculated.

	YEAR ENDED DECEMBER 31,	
	2015	2016
	(in SAR thousand)	
Revenue	1,014,645	1,062,145
Direct costs	(803,989)	(808,145)
Gross profit	210,656	254,000
General and administration expenses	(118,645)	(140,522)
Income from main operations	92,011	113,478
Share of net income in associates and a joint venture	15,845	37,186
Other income	297	2,800
Financial charges	(4,075)	(2,108)
Income before zakat, tax and minority interest	104,078	151,356
Zakat and tax	(14,012)	(13,004)
Income before minority interest	90,066	138,352

Revenue of the NOMAC Group increased by SAR 47.5 million, or 4.7%, from SAR 1,014.6 million in 2015 to SAR 1,062.1 million in 2016, principally due to the significant expansion of the ACWA Power Group’s operations and the corresponding expansion of the NOMAC Group’s operations in 2015 when the ACWA Power Group added an additional 9,000 MW of capacity to its portfolio, which constituted a 50% increase in its portfolio capacity. While the expansion took place in 2015, the full-year effect of the expansion resulted in higher revenue in 2016. The sum of direct costs and general and administration expenses increased as well in 2016 as compared to 2015, albeit by a smaller amount (SAR 26.0 million). Because the increase in revenue was greater than the increase in the sum of direct costs and general and administration expenses (by SAR 21.5 million), income from main operations increased between the two years. In addition, the effect of the expansion of the ACWA Power Group’s operations in 2015 was even greater on the NOMAC Group’s share of net income in associates and a joint venture, which increased by SAR 21.3 million, or 134.7%, from SAR 15.8 million in 2015 to SAR 37.2 million in 2016.

Year Ended December 31, 2015 Compared to the Year Ended December 31, 2014

The year-on-year comparisons in this section are based on (i) for 2015, the data from the 2015 Special-Purpose Financial Statements that do not present the operations of the NOMAC Group in that year as discontinued operations and (ii) for 2014, the data from the 2014 Special-Purpose Financial Statements.

Revenue

Revenue of the APP Group increased by SAR 483.2 million, or 67.3%, from SAR 717.9 million in 2014 to SAR 1,201.1 million in 2015.

The following table sets out information on the two components of APP Group's revenue (services rendered and sale of water), APP Group's total revenue and the percentage of APP Group's total revenue represented by revenue from services rendered and sale of water in 2014 and 2015 as well as the percentage change in revenue from services rendered, revenue from sale of water and APP Group's total revenue between the two years.

	YEAR ENDED DECEMBER 31, 2014	SHARE OF TOTAL REVENUE	YEAR ENDED DECEMBER 31, 2015	SHARE OF TOTAL REVENUE	PERCENTAGE CHANGE
	(in SAR thousand)	(in %)	(in SAR thousand)	(in %)	
Services rendered	625,259	87.1	1,067,350	88.9	70.7
Sale of water	92,633	12.9	133,762	11.1	44.4
Total revenue	717,892	100.0	1,201,112	100.0	67.3

Services Rendered. Revenue of the APP Group from services rendered increased by SAR 442.1 million, or 70.7%, from SAR 625.3 million in 2014 to SAR 1,067.4 million in 2015. This was principally due to increases in fees of NOMAC and its subsidiaries for the provision of operation and maintenance services to (i) the Qurayyah IPP, where HEPCO incurred costs of SAR 205.9 million for operation and maintenance services in 2015 as compared to SAR 64.2 million in 2014; (ii) the RAWEC IWSPP, where RAWEC incurred costs of SAR 175.1 million for operation and maintenance services in 2015 as compared to SAR 69.7 million in 2014, (iii) the Shuaibah IWPP, where SWEC incurred costs of SAR 91.6 million for operation and maintenance services in 2015 as compared to SAR 75.3 million in 2014 and (iv) power and/or water plants of the ACWA Power Group located outside of the Kingdom of Saudi Arabia in 2015 when ACWA Power Group significantly expanded its international operations. The increase in operation and maintenance costs incurred by HEPCO in 2015 as compared to 2014 was due to the fact that the Qurayyah IPP commenced generating electricity in the later part of the second half of 2014 and therefore its operation and maintenance expenses for the full year in 2015 were significantly higher than in 2014. With respect to the RAWEC IWSPP, RAWEC itself provided operation and maintenance services until September 2014. In September 2014, Rabigh Power Company, a subsidiary of NOMAC, became the operation and maintenance contractor for the RAWEC IWSPP. The increase in RAWEC's fees for operation and maintenance services in 2015 as compared to 2014 was due to Rabigh Power Company being the operation and maintenance contractor for the RAWEC IWSPP during the full year in 2015. The increase in the operation and maintenance expenses at the Shuaibah IWPP was principally due to 2015 being a major maintenance year under the terms of the SWEC PWPA, which resulted in a greater amount of maintenance work at the Shuaibah IWPP in 2015 as compared to 2014.

Sale of Water. Revenue of the APP Group from sales of water increased by SAR 41.1 million, or 44.4%, from SAR 92.6 million in 2014 to SAR 133.8 million in 2015. This increase in revenue from sales of water is principally due to the impact of fire on one of the two barges at the Bowarege IWP in September 2013, which kept this barge out of operation until August 2014. As a result, the availability of the plant to produce desalinated water was reduced in 2014 when Bowarege IWP had a water technical availability of 60.9% as compared to 2015 when Bowarege IWP had a water technical availability of 88.6% and, consequently, the production of desalinated water in 2014 as compared to 2015 was significantly lower. For the definition of the water technical availability, see "Description of Projects and NOMAC's Operations—Description of Projects—Bowarege IWP / Bowarege—Overview."

Operating Costs

The following table sets out information on components of APP Group's operating costs, APP Group's total operating costs and the percentage of APP Group's total operating costs represented by each of their four components in 2014 and 2015 as well as the percentage change in each of the components of total operating costs and APP Group's total operating costs between the two years.

	YEAR ENDED DECEMBER 31, 2014	SHARE OF TOTAL OPERATING COSTS	YEAR ENDED DECEMBER 31, 2015	SHARE OF TOTAL OPERATING COSTS	PERCENTAGE CHANGE
	(in SAR thousand)	(in %)	(in SAR thousand)	(in %)	
Station operating costs, including direct material costs	262,704	53.2	449,095	51.6	71.0
Staff cost	169,506	34.3	224,052	25.7	32.2
Depreciation	31,459	6.4	29,023	3.3	(7.7)
Other direct overhead	30,186	6.1	168,987	19.4	459.8
Total operating costs	493,855	100.0	871,157	100.0	76.4

Operating costs of the APP Group increased by SAR 377.3 million, or 76.4%, from SAR 493.9 million in 2014 to SAR 871.2 million in 2015. Increases in station (i.e., plant) operating costs, including direct material costs, and in staff cost were caused principally by the significant expansion of operation and maintenance activities of NOMAC or its subsidiaries at the Qurayyah IPP, RAWEC IWSPP, Shuaibah IWPP and certain power and/or water plants of the ACWA Power Group located outside of the Kingdom of Saudi Arabia. The increase in station (i.e., plant) operating costs, including direct material costs, in 2015 as compared to 2014 (71.0%) was in line with the increase in revenue from services rendered (70.7%), while the increase in staff cost (32.2%) was significantly lower than the increase in revenue from services rendered, which had a positive effect on profitability of the APP Group in 2015. The 32.2% increase in staff costs in 2015 as compared to 2014 was principally due to the increase in the number of employees of NOMAC related to the expansion of the ACWA Power Group's operations in 2015. The significant increase in other direct overhead (from SAR 30.2 million in 2014 to SAR 169.0 million in 2015) was principally due to (i) costs relating to international operations of NOMAC with respect to technical services. The other contributing factors were extended shutdowns at the Shuaibah IWPP and higher outsourcing costs.

Share in Net Income of an Associate and Joint Ventures

The following table sets out information on components of APP Group's share in net income of an associate and joint ventures, APP Group's total share in net income of an associate and joint ventures and the percentage of APP Group's total share in net income of an associate and joint ventures represented by each of the components in 2014 and 2015 as well as the percentage change in each of the components of total share in net income of an associate and joint ventures and APP Group's total share in net income of an associate and joint ventures between the two years.

	PERCENTAGE OF OWNERSHIP	SHARE IN NET INCOME (LOSS) IN 2014	PERCENTAGE OF TOTAL SHARE IN NET INCOME (LOSS)	SHARE IN NET INCOME (LOSS) IN 2015	PERCENTAGE OF TOTAL SHARE IN NET INCOME (LOSS)	PERCENTAGE CHANGE
	(in %)	(in SAR thousand)	(in %)	(in SAR thousand)	(in %)	
SAMAWEC (intermediate holding company for the Shuaibah Expansion IWP and Shuaibah IWPP)	50.0	92,497	25.4	67,418	22.4	(27.1)
SGA Marafiq Holdings W.L.L (intermediate holding company for the Marafiq IWPP)	33.3	36,115	9.9	40,258	13.4	11.5
Shuqaiq International Water and Electricity Company (intermediate holding company for the Shuqaiq IWPP)	66.7	36,590	10.0	53,097	17.7	45.1
RABEC (Project Company for the Rabigh IPP)	40.0	81,148	22.3	71,049	23.6	(12.4)
Qurayyah Investment Company (intermediate holding company for the Qurayyah IPP)	35.0	14,650	4.0	8,542	2.8	(41.7)
RAWEC (Project Company for the RAWEC IWSPP)	37.0	91,442	25.1	45,536	15.2	(50.2)
MEPCO (project company for the Rabigh 2 IPP)	50.0	(353)	(0.1)	(478)	(0.2)	35.4
Other	n/a	<u>12,259</u>	<u>3.4</u>	<u>15,103</u>	<u>5.0</u>	23.2
Total share in net income of an associate and joint ventures		<u>364,348</u>	<u>100.0</u>	<u>300,525</u>	<u>100.0</u>	(17.5)

APP Group's share in net income of an associate and joint ventures decreased by SAR 63.8 million, or 17.5%, from SAR 364.3 million in 2014 to SAR 300.5 million in 2015. This decrease was principally due to significant decreases in the APP Group's share in net income from RAWEC (by SAR 45.9 million) and SAMAWEC (by SAR 25.1 million), partially offset by an increase in the APP Group's share in net income of Shuqaiq International Water and Electricity Company (by SAR 16.5 million).

General and Administration Expenses

The following table sets out information on components of APP Group's general and administration expenses, APP Group's total general and administration expenses and the percentage of APP Group's total general and administration expenses represented by each of their 12 components in 2014 and 2015 as well as the percentage change in each of the components of total general and administration expenses and APP Group's total general and administration expenses between the two years.

	YEAR ENDED DECEMBER 31, 2014	SHARE OF TOTAL GENERAL AND ADMINISTRATION EXPENSES	YEAR ENDED DECEMBER 31, 2015	SHARE OF TOTAL GENERAL AND ADMINISTRATION EXPENSES	PERCENTAGE CHANGE
	(in SAR thousand)	(in %)	(in SAR thousand)	(in %)	
Salaries and other employee benefits	61,786	45.5	72,229	43.6	16.9
Professional and legal fees	22,085	16.3	34,016	20.5	54.0
Travel	9,468	7.0	11,362	6.9	20.0
Communication	5,304	3.9	5,930	3.6	11.8
Office and kitchen supplies	6,062	4.5	7,210	4.4	18.9
Provision and impairments	10,791	7.9	6,121	3.7	(43.3)
Utilities	6,472	4.8	4,958	3.0	(23.4)
Repairs and maintenance	2,219	1.6	4,395	2.7	98.1
Depreciation	5,078	3.7	3,920	2.4	(22.8)
Management fee expenses	n/a	n/a	4,232	2.6	n/a
Rent	2,036	1.5	2,153	1.3	5.7
Other	4,462	3.3	9,071	5.5	103.3
Total general and administration expenses	135,763	100.0	165,597	100.0	22.0

General and administration expenses of the APP Group increased by SAR 29.8 million, or 22.0%, from SAR 135.8 million in 2014 to SAR 165.6 million in 2015. This increase was principally due to increases in professional and legal fees in the amount of SAR 11.9 million and in salaries and other employee benefits in the amount of SAR 10.4 million, which collectively accounted for 75.0% of the total increase in general and administration expenses of the APP Group. Both the increase in the total general and administration expenses (22.0%) and in its largest component, salaries and other employee benefits (16.9%) in 2015 as compared to 2014 were significantly below the level of the increase in revenue of the APP Group (67.3%) between these years.

Other Income

Other income of the APP Group decreased by SAR 56.0 million, or 83.6%, from SAR 67.0 million in 2014 to SAR 11.0 million in 2015. This decrease was principally due to APP Group recognizing income in 2014 as a result of insurance claims related to a fire on one of the two barges at the Bowarege IWP in September 2013. Bowarege, a subsidiary of APP, recognized income in the form of compensation from its insurer for the replacement of assets impaired in the fire as well as income related to its business interruption claim in 2014. The amount of total insurance claim income for the APP Group in 2014 was SAR 55.5 million.

Financial Charges

Financial charges of the APP Group remained at approximately the same level in 2014 (SAR 27.4 million) and 2015 (SAR 27.5 million).

Zakat and Taxation

Zakat and taxation charged to the APP Group increased by SAR 12.1 million, or 174.1%, from SAR 6.9 million in 2014 to SAR 19.0 million in 2015. This increase was principally due to the expansion of NOMAC's operations both inside the Kingdom of Saudi Arabia and internationally in 2015 as compared to 2014.

Results of Operations of the Project Companies

Year Ended December 31, 2016 Compared to the Year Ended December 31, 2015

SEPCO (Project Company for the Shuaibah Expansion IWP)

The following table sets forth statement of income data for SEPCO for the years ended December 31, 2015 and 2016 and the percentage change in each line item between the two years.

	YEAR ENDED DECEMBER 31, 2015	YEAR ENDED DECEMBER 31, 2016	PERCENTAGE CHANGE
	(in SAR thousand)		(in %)
Revenue	151,412	151,213	(0.1)
Operating cost	(80,628)	(80,026)	(0.7)
Gross profit	70,784	71,187	0.6
General and administration expenses	(9,198)	(8,144)	(11.5)
Income from main operations	61,586	63,043	2.4
Other income	40	271	577.5
Financial charges	(39,587)	(37,576)	(5.1)
Unrealized gain on derivatives	262	429	63.7
Net income for the year	22,301	26,167	17.3

SEPCO's net income increased by SAR 3.9 million, or 17.3%, from SAR 22.3 million in 2015 to SAR 26.2 million in 2016. This increase was principally due to the decrease in financial charges (by SAR 2.0 million) in 2016 as compared to 2015 and the decrease in general and administration expenses (by SAR 1.1 million) between the two years. The decrease in financial charges was principally due to a net decrease in interest charges on cash flow hedges.

SWEC (Project Company for the Shuaibah IWPP)

The following table sets forth statement of income data for SWEC for the years ended December 31, 2015 and 2016 and the percentage change in each line item between the two years.

	YEAR ENDED DECEMBER 31, 2015	YEAR ENDED DECEMBER 31, 2016	PERCENTAGE CHANGE
	(in SAR thousand)		(in %)
Revenue	1,011,137	1,090,871	7.9
Operating cost	(401,894)	(397,946)	(1.0)
Gross profit	609,243	692,925	13.7
General and administration expenses	(32,225)	(27,477)	(14.7)
Income from main operations	577,018	665,448	15.3
Other (loss) income, net	(966)	17,263	n/a
Financial charges	(345,670)	(328,307)	(5.0)
Net income for the year	230,382	354,404	53.8

SWEC's net income increased by SAR 124.0 million, or 53.8%, from SAR 230.4 million in 2015 to SAR 354.4 million in 2016. This increase was principally due to the increase in revenue (by SAR 79.7 million) from SAR 1,011.1 million in 2015 to SAR 1,090.9 million in 2016, which resulted principally from the increase in power technical availability at the Shuaibah IWPP from 85.5% in 2015 to 91.4% in 2016 and the increase in water technical availability at the Shuaibah IWPP from 85.5% in 2015 to 91.3% in 2016. SWEC's net income was also positively affected in 2016 as compared to 2015 by (i) the decrease in SWEC's financial charges (by SAR 17.4 million) and (ii) net other income of SAR 17.3 million in 2016 as compared to net other loss of SAR 1.0 million in 2015. Other income in 2016 consisted principally of the insurance claim received in the amount of SAR 16.3 million that related to the claims for the repairs and maintenance at the Shuaibah IWPP caused due to the corrosion of the intermediate pressure turbine blades.

JWAP (Project Company for the Marafiq IWPP)

The following table sets forth statement of income data for JWAP for the years ended December 31, 2015 and 2016 and the percentage change in each line item between the two years.

	YEAR ENDED DECEMBER 31, 2015	YEAR ENDED DECEMBER 31, 2016	PERCENTAGE CHANGE
	(in SAR thousand)		(in %)
Revenue	1,257,248	1,240,072	(1.4)
Operating cost	(397,056)	(395,780)	(0.3)
Gross profit	860,192	844,292	(1.8)
General and administration expenses	(17,031)	(15,345)	(9.9)
Income from main operations	843,161	828,948	(1.7)
Other operating income, net	5,857	4,419	(24.6)
Financial charges	(536,961)	(517,242)	(3.7)
Net income for the year	312,056	316,125	1.3

JWAP's net income increased by SAR 4.1 million, or 1.3%, from SAR 312.1 million in 2015 to SAR 316.1 million in 2016. JWAP experienced a decrease in revenue in 2016 (SAR 1,240.1 million) as compared to 2015 (SAR 1,257.2 million) principally due to the decrease in power technical availability at the Marafiq IWPP from 98.2% in 2015 to 97.2% in 2016. But this SAR 17.2 million decrease in revenue between the two years was more than offset by the SAR 19.7 million decrease in JWAP's financial charges from SAR 537.0 million in 2015 to SAR 517.2 million in 2016.

SQWEC (Project Company for the Shuqaiq IWPP)

The following table sets forth statement of income data for SQWEC for the years ended December 31, 2015 and 2016 and the percentage change in each line item between the two years.

	YEAR ENDED DECEMBER 31, 2015 ⁽¹⁾	YEAR ENDED DECEMBER 31, 2016	PERCENTAGE CHANGE
	(in SAR thousand)		(in %)
Revenue	801,707	812,377	1.3
Operating cost	(300,195)	(303,669)	1.2
Gross profit	501,512	508,708	1.4
General and administration expenses	(21,495)	(23,772)	10.6
Income from main operations	480,017	484,936	1.0
Other income	1,705	7,027	312.1
Financial charges	(312,715)	(299,968)	(4.1)
Net income for the year	169,007	191,995	13.6

Note:

(1) General and administration expenses, income from main operations and financial charges for the year ended December 31, 2015 in the financial statements of SQWEC as of and for the year ended December 31, 2015 (SAR 23,226 thousand, SAR 478,286 thousand and SAR 310,984 thousand, respectively) were reclassified in the financial statements of SQWEC as of and for the year ended December 31, 2016 to SAR 21,495 thousand, SAR 480,017 thousand and SAR 312,715 thousand, respectively. The financial information presented in this column for the year ended December 31, 2015 is derived from the financial statements of SQWEC as of and for the year ended December 31, 2016.

SQWEC's net income increased by SAR 23.0 million, or 13.6%, from SAR 169.0 million in 2015 to SAR 192.0 million in 2016. This increase was principally due to (i) the decrease in financial charges in the amount of SAR 12.7 million and (ii) to a lesser extent, the increase in other income in the amount of SAR 5.3 million. The decrease in financial charges was principally due to the decrease in net interest charges on cash flow hedges with respect to interest rate swaps from SAR 218.4 million in 2015 to SAR 188.0 million in 2016 due to amortizing notional profile of the swaps following the hedged debt repayments, which was partially offset by an increase in financing costs from SAR 89.0 million in 2015 to SAR 106.3 million in 2016. The increase in other income was principally due to the increases in income with respect to insurance claim (from SAR 1.0 million in 2015 to SAR 4.2 million in 2016) and in special commission income on time deposits (from SAR 0.6 million in 2015 to SAR 2.6 million in 2016).

RABEC (Project Company for the Rabigh IPP)

The following table sets forth statement of income data for RABEC for the years ended December 31, 2015 and 2016 and the percentage change in each line item between the two years.

	YEAR ENDED DECEMBER 31, 2015	YEAR ENDED DECEMBER 31, 2016	PERCENTAGE CHANGE
	(in SAR thousand)		(in %)
Revenue	972,865	898,057	(7.7)
Operating cost	(315,859)	(323,268)	2.3
Gross profit	657,006	574,789	(12.5)
General and administration expenses	(17,387)	(19,089)	9.8
Income from main operations	639,619	555,700	(13.1)
Financial charges	(464,037)	(440,097)	(5.2)
Net income for the year	175,582	115,603	(34.2)

RABEC's net income decreased by SAR 60.0 million, or 34.2%, from SAR 175.6 million in 2015 to SAR 115.6 million in 2016. This decrease was principally due to lower revenue between the two years in the amount of SAR 74.8 million principally due to the decrease in power technical availability in 2016 as compared to 2015. In 2016, annual maintenance of units one and two at the Rabigh IPP was extended by two weeks due to various reasons affecting availability. In addition, these units experienced boiler tube leakages in the summer period. The performance of the Rabigh IPP was adversely affected by these equipment-related issues, resulting in the power technical availability in 2016 decreasing to 87.0% as compared to 92.8% in 2015 and the forced outage rate increasing to 7.4% as compared to 5.8% in 2015. Major repair work with respect to boilers at units one and two was completed in 2016, so the performance of the Rabigh IPP is expected to improve going forward. The adverse impact of the decrease in revenue on RABEC's net income was partially offset by the decrease in financial charges in 2016 as compared to 2015 (by SAR 23.9 million). The decrease in financial charges between the two years was principally due to the decrease in interest in term financing (by SAR 17.5 million, from SAR 447.5 million in 2015 to SAR 430.0 million in 2016) and the decrease in other financial charges (by SAR 5.6 million, from SAR 7.4 million in 2015 to SAR 1.8 million in 2016).

HEPCO (Project Company for the Qurayyah IPP)

The following table sets forth statement of income data for HEPCO for the years ended December 31, 2015 and 2016 and the percentage change in each line item between the two years.

	YEAR ENDED DECEMBER 31, 2015	YEAR ENDED DECEMBER 31, 2016	PERCENTAGE CHANGE
	(in SAR thousand)		(in %)
Revenue	769,646	938,695	22.0
Operating cost	(425,189)	(502,590)	18.2
Gross profit	344,457	436,105	26.6
General and administration expenses	(48,628)	(140,538)	189.0
Income from main operations	295,829	295,567	(0.1)
Finance costs	(232,138)	(268,165)	15.5
Other income	—	65,751	n/a
Other expenses	—	(17,815)	n/a
Net income for the year	63,691	75,338	18.3

HEPCO's net income increased by SAR 11.6 million, or 18.3%, from SAR 63.7 million in 2015 to SAR 75.3 million in 2016. HEPCO's revenue, operating costs, general and administration expenses and finance costs all increased significantly in 2016 as compared to 2015 because HEPCO declared the Project's commercial operations date for the Qurayyah IPP on March 16, 2015 (which was not accepted by SEC). Therefore, in 2015, HEPCO's revenue was recognized, and operating costs, general and administration expenses and finance costs were incurred, only during the period from March 16 to December 31, which is the period of nine and a half months after HEPCO declared the Project's commercial operations date for the Qurayyah IPP. In 2016, revenue was recognized, and operating costs,

general and administration expenses and finance costs were incurred, during the whole year. In addition, the increase in general and administration expenses between the two years is also due to a provision for doubtful debt in the amount of SAR 71.5 million, which is related to certain receivables from SEC.

In addition, HEPCO's net income in 2016 was significantly affected by other income. Its largest component was business interruption claim recovery in the amount of SAR 52.1 million, was related to property damage to certain gas turbines at the Qurayyah IPP arising from the ingestion of sand during severe sandstorms in the spring of 2015, as a result of which HEPCO suffered business interruption losses.

Bowarege

The following table sets forth statement of income data for Bowarege for the years ended December 31, 2015 and 2016 and the percentage change in each line item between the two years.

	YEAR ENDED DECEMBER 31, 2015	YEAR ENDED DECEMBER 31, 2016	PERCENTAGE CHANGE
	(in SAR thousand)		
Revenue	133,762	138,056	3.2
Operating cost	(77,490)	(83,136)	7.3
Gross profit	56,272	54,920	(2.4)
General and administration expenses	(6,356)	(6,236)	(1.9)
Income from main operations	49,916	48,683	(2.5)
Other income, net	73	49	(32.9)
Financial charges	(2,744)	(1,968)	(28.3)
Net income for the year	47,245	46,764	(1.0)

Bowarege's net income decreased by SAR 0.5 million, or 1.0%, from SAR 47.2 million in 2015 to SAR 46.8 million in 2016. This decrease in net income was principally due to the increase in operating costs by SAR 5.6 million partially offset by the increase in revenue (by SAR 4.3 million) and the decrease in financial charges by SAR 0.8 million between the two years. The increase in operating costs was principally due to the increase in fuel costs (by SAR 3.5 million) and in operation and maintenance costs (by SAR 2.0 million) between the two years. The increase in revenue is principally due to slightly higher water technical availability of the two barges at the Bowarege IWP in 2016 as compared to 2015.

RAWEC (Project Company for the RAWEC IWSPP)

The following table sets forth statement of income data for RAWEC for the years ended December 31, 2015 and 2016 and the percentage change in each line item between the two years.

	YEAR ENDED DECEMBER 31, 2015	YEAR ENDED DECEMBER 31, 2016	PERCENTAGE CHANGE
	(in SAR thousand)		(in %)
Revenue	616,343	887,014	43.9
Direct costs	(280,621)	(382,056)	36.1
Gross profit	335,635	504,959	50.4
General and administration expenses	(23,205)	(20,687)	(10.9)
Net income from main operations	312,516	484,272	55.0
Financial charges	(148,052)	(231,316)	56.2
Other income	10,649	884	(91.7)
Income from bank deposits	843	1,798	113.3
Exchange loss	(98)	(844)	761.2
Net income for the year	175,858	254,793	44.9

RAWEC's net income increased by SAR 78.9 million, or 44.9%, from SAR 175.9 million in 2015 to SAR 254.8 million in 2016. The increase in RAWEC's net income between the two years was principally due to the increase in its revenue in 2016 as compared to 2015, which was partially offset by the increases in direct costs and financial charges between the two years. RAWEC's revenue increased by SAR 270.7 million, or 43.9%, in 2016 as

compared to 2015. The principal reason for this increase in revenue is that the deemed acceptance date for the RAWEC Phase II Facilities occurred on June 22, 2016 and RAWEC started receiving deemed capacity payments from the offtaker after that date with respect to the RAWEC Phase II Facilities. Similarly, the increases in direct costs and financial charges in 2016 as compared to 2015 are principally due to the occurrence of the deemed acceptance date for the RAWEC Phase II Facilities. Prior to such deemed acceptance date, a significant proportion of costs, including borrowing costs, was capitalized, which was no longer the case after June 22, 2016. For instance, the amount of borrowing costs capitalized from January 1, 2016 to June 22, 2016 was SAR 75.7 million, which was significantly less than the amount of capitalized borrowing costs in 2015 (SAR 104.7 million).

Year Ended December 31, 2015 Compared to the Year Ended December 31, 2014

SEPCO (Project Company for the Shuaibah Expansion IWP)

The following table sets forth statement of income data for SEPCO for the years ended December 31, 2014 and 2015 and the percentage change in each line item between the two years.

	YEAR ENDED DECEMBER 31, 2014	YEAR ENDED DECEMBER 31, 2015	PERCENTAGE CHANGE
	(in SAR thousand)		(in %)
Revenue	149,542	151,412	1.3
Operating cost	(79,630)	(80,628)	1.3
Gross profit	69,912	70,784	1.2
General and administration expenses	(12,363)	(9,198)	(25.6)
Income from main operations	57,549	61,586	7.0
Other income	87	40	(54.0)
Financial charges	(49,525)	(39,587)	(20.1)
Unrealized gain on derivatives	184	262	42.4
Net income for the year	8,295	22,301	168.8

Due to a slight increase in revenue (by SAR 1.9 million, or 1.3%) in 2015 as compared to 2014 and a slight decrease in the sum of operating costs and general and administration expenses between the two years (by SAR 2.2 million, or 2.4%), SEPCO's income from main operations increased by SAR 4.0 million, or 7.0%, from SAR 57.5 million in 2014 to SAR 61.6 million in 2015.

SEPCO's financial charges decreased by SAR 9.9 million, or 20.1%, from SAR 49.5 million in 2014 to SAR 39.6 million in 2015, principally due to the decrease in net interest charges on cash flow hedges in the amount of SAR 8.5 million. This decrease principally relates to the equity bridge loan repayment in August 2014 and related SWAP charges. SEPCO has interest rate swaps in place in order to reduce its exposure to interest rate risks. Changes in this hedge are due to changes in forward LIBOR curve.

Principally as a result of the increase in income from main operations and decrease in finance charges, SEPCO's net income increased by SAR 14.0 million, or 168.8%, from SAR 8.3 million in 2014 to SAR 22.3 million in 2015.

SWEC (Project Company for the Shuaibah IWPP)

The following table sets forth statement of income data for SWEC for the years ended December 31, 2014 and 2015 and the percentage change in each line item between the two years.

	YEAR ENDED DECEMBER 31, 2014	YEAR ENDED DECEMBER 31, 2015	PERCENTAGE CHANGE
	(in SAR thousand)		(in %)
Revenue	1,081,282	1,011,137	(6.5)
Operating cost	(378,862)	(401,894)	6.1
Gross profit	702,420	609,243	(13.3)
General and administration expenses	(32,385)	(32,225)	(0.5)
Income from main operations	670,035	577,018	(13.9)
Other (loss) income, net	2,660	(966)	n/a
Financial charges	(361,799)	(345,670)	(4.5)
Net income for the year	310,896	230,382	(25.9)

SWEC's net income decreased by SAR 80.5 million, or 25.9%, from SAR 310.9 million in 2014 to SAR 230.4 million in 2015. This decrease was principally due to the decrease in revenue between the two years in the amount of SAR 70.1 million, which accounted for 87.1% of the decrease in SWEC's net income. This decrease in revenue was principally due to decreases in power technical availability from 92.7% in 2014 to 85.5% in 2015 and in water technical availability from 89.6% in 2014 to 85.5% in 2015. In addition, SWEC's operating costs increased in 2015 as compared to 2014, principally because of the increase in operation and maintenance costs in the amount of SAR 27.6 million between the two years. This increase in operation and maintenance costs was due to 2015 being a major maintenance year under the terms of the SWEC PWPA. The adverse impact of these two factors on net income was partially offset by the decrease in financial charges in the amount of SAR 16.1 million, principally consisting of the decrease in net interest charges on cash flow hedges in the amount of SAR 9.8 million and the decrease in financing costs in the amount of SAR 6.1 million due to the decreasing amount of outstanding debt. The decrease in net interest charges on cash flow hedges principally relates to the equity bridge loan repayment in August 2014 and decrease in swapped interest charges due to the decrease in outstanding debt.

JWAP (Project Company for the Marafiq IWPP)

The following table sets forth statement of income data for JWAP for the years ended December 31, 2014 and 2015 and the percentage change in each line item between the two years.

	YEAR ENDED DECEMBER 31, 2014 ⁽¹⁾	YEAR ENDED DECEMBER 31, 2015 ⁽²⁾	PERCENTAGE CHANGE
	(in SAR thousand)		(in%)
Revenue	1,175,987	1,257,248	6.9
Operating cost	(394,554)	(397,056)	0.6
Gross profit	781,433	860,192	10.1
General and administration expenses	(12,233)	(17,031)	39.2
Income from main operations	769,200	843,161	9.6
Other operating income, net	7,053	5,857	(17.0)
Financial charges	(600,703)	(536,961)	(10.6)
Net income for the year	175,550	312,056	77.8

Notes:

- (1) Consistent with the presentation in the financial statements of JWAP as of and for the year ended December 31, 2016, operating costs, other operating income and financial charges for the year ended December 31, 2014 in the financial statements of JWAP as of and for the year ended December 31, 2015 (SAR 405,678 thousand, SAR 6,642 thousand and SAR 589,168 thousand, respectively) were reclassified to SAR 394,554 thousand, SAR 7,053 thousand and SAR 600,703 thousand, respectively. The financial information presented in this column for the year ended December 31, 2014 is derived from the financial statements of JWAP as of and for the year ended December 31, 2015, as adjusted by the management for the above-mentioned reclassifications for consistency of presentation with the financial statements of JWAP as of and for the year ended December 31, 2016.
- (2) Operating costs, other operating income and financial charges for the year ended December 31, 2015 in the financial statements of JWAP as of and for the year ended December 31, 2015 (SAR 405,090 thousand, SAR 1,490 thousand and SAR 524,560 thousand, respectively) were reclassified in the financial statements of JWAP as of and for the year ended December 31, 2016 to SAR 397,056 thousand, SAR 5,857 thousand and SAR 536,961 thousand, respectively. The financial information presented in this column for the year ended December 31, 2015 is derived from the financial statements of JWAP as of and for the year ended December 31, 2016.

JWAP's net income increased by SAR 136.5 million, or 77.8%, from SAR 175.6 million in 2014 to SAR 312.1 million in 2015. This increase was principally due to the increase in revenue in the amount of SAR 81.3 million and the decrease in financial charges in the amount of SAR 63.7 million between the two years. The increase in revenue was principally due to increases in power technical availability from 92.3% in 2014 to 98.2% in 2015 and in water technical availability from 94.8% in 2014 to 97.1% in 2015. The decrease in finance charges was principally due to (i) the decrease in swaps expense in the amount of SAR 30.5 million between the two years, which resulted from amortizing notional profile of the swaps following the hedged debt repayment, and (ii) the decrease in withholding tax on long term loan and swaps in the amount of SAR 36.5 million, which resulted from JWAP taking the aggregate impact for four years in 2014 as compared to one year of swap payments in 2015.

SQWEC (Project Company for the Shuqaiq IWPP)

The following table sets forth statement of income data for SQWEC for the years ended December 31, 2014 and 2015 and the percentage change in each line item between the two years.

	YEAR ENDED DECEMBER 31, 2014	YEAR ENDED DECEMBER 31, 2015 ⁽¹⁾	PERCENTAGE CHANGE
	(in SAR thousand)		(in %)
Revenue	784,225	801,707	2.2
Operating costs	(303,671)	(300,195)	(1.1)
Gross profit	480,554	501,512	4.4
General and administration expenses	(23,925)	(21,495)	(10.2)
Income from main operations	456,629	480,017	5.1
Other income	—	1,705	n/a
Financial charges	(354,728)	(312,715)	(11.8)
Net income for the year	101,901	169,007	65.9

Note:

(1) General and administration expenses, income from main operations and financial charges for the year ended December 31, 2015 in the financial statements of SQWEC as of and for the year ended December 31, 2015 (SAR 23,226 thousand, SAR 478,286 thousand and SAR 310,984 thousand, respectively) were reclassified in the financial statements of SQWEC as of and for the year ended December 31, 2016 to SAR 21,495 thousand, SAR 480,017 thousand and SAR 312,715 thousand, respectively. The financial information presented in this column for the year ended December 31, 2015 is derived from the financial statements of SQWEC as of and for the year ended December 31, 2016.

SQWEC's net income increased by SAR 67.1 million, or 65.9%, from SAR 101.9 million in 2014 to SAR 169.0 million in 2015. This increase was principally due to (i) the decrease in financial charges in the amount of SAR 42.0 million and (ii) to a lesser extent, the increase in revenue in the amount of SAR 17.5 million. The decrease in financial charges was due to the decrease in net interest charges on cash flow hedges with respect to interest rate swaps from SAR 260.3 million in 2014 to SAR 218.4 million in 2015 due to amortizing notional profile of the swaps following the hedged debt repayments. The increase in revenue was principally due to the increases in power technical availability from 94.8% in 2014 to 96.9% in 2015 and in water technical availability from 96.2% in 2014 to 97.5% in 2015.

RABEC (Project Company for the Rabigh IPP)

The following table sets forth statement of income data for RABEC for the years ended December 31, 2014 and 2015 and the percentage change in each line item between the two years.

	YEAR ENDED DECEMBER 31, 2014	YEAR ENDED DECEMBER 31, 2015	PERCENTAGE CHANGE
	(in SAR thousand)		(in %)
Revenue	1,014,414	972,865	(4.1)
Operating costs	(324,591)	(315,859)	(2.7)
Gross profit	689,823	657,006	(4.8)
General and administration expenses	(16,690)	(17,387)	4.2
Income from main operations	673,133	639,619	(5.0)
Financial charges	(467,696)	(464,037)	(0.8)
Other income, net	3,942	—	n/a
Net income for the year	209,379	175,582	(16.1)

RABEC's net income decreased by SAR 33.8 million, or 16.1%, from SAR 209.4 million in 2014 to SAR 175.6 million in 2015. This decrease was principally due to lower revenue between the two years in the amount of SAR 41.5 million due to decrease in power technical availability from 94.0% in 2014 to 92.8% in 2015. Power forced outage rate increased from 4.7% in 2014 to 5.8% in 2015 principally because of boiler tubes' failure due to thinning of the tubes on the inner wall of the boiler. The boiler tubes failure occurred in September 2015 for units 1 and 2 and again in November 2015 for unit 1. The adverse impact of the decrease in revenue on RABEC's net income was partially offset by the decrease in operating costs in the amount of SAR 8.7 million, which was due

to discontinuation of ammonia injections in 2015 and payment of liquidated damages by the operation and maintenance contractor as a result of forced outages in 2015, which reduced RABEC's operating costs in 2015.

HEPCO (Project Company for the Qurayyah IPP)

The following table sets forth statement of income data for HEPCO for the years ended December 31, 2014 and 2015 and the percentage change in each line item between the two years.

	YEAR ENDED DECEMBER 31, 2014	YEAR ENDED DECEMBER 31, 2015	PERCENTAGE CHANGE
	(in SAR thousand)		(in %)
Revenues	256,929	769,646	199.6
Operating costs	(124,168)	(425,189)	242.4
Gross profit	132,761	344,457	159.5
General and administration expenses	(5,826)	(48,628)	734.7
Income from main operations	126,935	295,829	133.1
Finance costs	(63,716)	(232,138)	264.3
Net income for the year	63,219	63,691	0.7

HEPCO's net income remained at approximately the same level in 2015 as compared to 2014, increasing only by SAR 0.5 million, or 0.7%. HEPCO's revenue, however, increased by SAR 512.7 million between the two years, or 199.6% due to the fact that the Qurayyah IPP started generating electricity in the later part of the second half of 2014. In 2015, HEPCO's results of operations were adversely affected by technical issues, including damage to its plant and machinery due to a severe sand storm. See "Description of the Projects and NOMAC's Operations—Description of Projects—Qurayyah IPP / HEPCO—Overview."

The impact of the increase in revenue on HEPCO's net income was almost fully offset by large increases in operating costs, general and administration expenses and finance costs, also due to the full year of operations in 2015 as compared to much shorter period of operations in 2014. The large increase in finance costs is due to a different treatment of borrowing costs during the construction and operation phases of the Project. Since the plant was under construction for a large part of 2014, substantial portion of finance costs directly attributable to the plant were capitalized as project costs until the completion of construction. For the description of HEPCO's indebtedness, see "Description of Certain Other Financing Arrangements of Project Companies—Qurayyah IPP / HEPCO."

Bowarege

The following table sets forth statement of income data for Bowarege for the years ended December 31, 2014 and 2015 and the percentage change in each line item between the two years.

	YEAR ENDED DECEMBER 31, 2014	YEAR ENDED DECEMBER 31, 2015	PERCENTAGE CHANGE
	(in SAR thousand)		(in %)
Revenue	92,633	133,762	44.4
Operating costs	(72,659)	(77,490)	6.6
Gross profit	19,974	56,272	181.7
General and administration expenses	(6,388)	(6,356)	(0.5)
Income from main operations	13,586	49,916	267.4
Other income, net	55,912	73	(99.9)
Financial charges	(3,778)	(2,744)	(27.4)
Net income for the year	65,721	47,245	(28.1)

Bowarege's net income decreased by SAR 18.5 million, or 28.1%, from SAR 65.7 million in 2014 to SAR 47.2 million in 2015. This decrease in net income was principally due to the decrease in net other income by SAR 55.8 million partially offset by the increase in revenue by SAR 41.1 million between the two years. The increase in revenue is principally due to the impact of fire on one of the two barges in September 2013, which kept this barge out of operations until August 2014. As a result, production of desalinated water was significantly lower in

2014 as compared to 2015. Large amount of net other income in 2014 resulted from the same fire in 2013 and consisted of compensation from insurer for replacement of impaired assets (SAR 19.1 million) and business interruption claim (SAR 36.7 million).

RAWEC (Project Company for the RAWEC IWSPP)

The following table sets forth statement of income data for RAWEC for the years ended December 31, 2014 and 2015 and the percentage change in each line item between the two years.

	YEAR ENDED DECEMBER 31, 2014	YEAR ENDED DECEMBER 31, 2015	PERCENTAGE CHANGE
	(in SAR thousand)		(in %)
Revenue	631,920	616,343	(2.5)
Direct costs	(315,282)	(280,621)	(11.0)
Gross profit	316,637	335,635	6.0
General and administration expenses	(32,738)	(23,205)	(29.1)
Net income from main operations	283,899	312,516	10.1
Financial charges	(152,771)	(148,052)	(3.1)
Other income	50,230	10,649	(78.8)
Income from bank deposits	397	843	112.3
Exchange loss	(168)	(98)	(41.7)
Net income for the year	181,586	175,858	(3.2)

RAWEC's net income decreased by SAR 5.7 million, or 3.2%, from SAR 181.6 million in 2014 to SAR 175.9 million in 2015. The decrease in revenue in the amount of SAR 15.6 million between the two years, which was principally due to the decrease in power technical availability from 96.2% in 2014 to 93.3% in 2015, was more than offset by decreases in direct costs (by SAR 34.7 million) as a result of the change in depreciating rate from 25 years to 40 years and general and administration expenses (by SAR 9.5 million), resulting in significantly higher net income from main operations in 2015 than in 2014 (by SAR 28.6 million, or 10.1%). However, other income in 2014 was significantly higher than in 2015. Other income in 2014 included SAR 49.1 million with respect to insurance claims received due to disruption of operations resulting from an earlier plant shutdown. This decrease in other income is the principal reason why RAWEC's net income decreased in 2015 as compared to 2014.

APP Group's Liquidity and Capital Resources

Overview

APP Group's principal liquidity and capital requirements consist of:

- capital expenditures relating to an expansion of an existing Project (the RAWEC Phase II Facilities) and construction of a new plant (the Rabigh 2 IPP);
- debt service requirements on the APP Group's existing and future debt as permitted by the Indenture;
- equity returns and repayment of shareholder loans and/or advances to ACWA Power; and
- costs and expenses relating to the APP Group's operations.

In addition to net cash generated from operating activities, the APP Group has historically used debt financing arrangements through commercial banks and other financial institutions to fund its cash needs. The ACWA Power Group's management believes that the APP Group's liquidity and cash flows are sufficient to meet requirements and commitments for the foreseeable future. All Projects other than the Bowarege IWP were financed through project finance arrangements. These financing arrangements are structured to allow the Projects to operate independently on the basis of their own liquidity without recourse to the shareholders.

Cash Flows

The following table sets forth certain summary special-purpose consolidated statement of cash flows data for the APP Group in 2014 and 2015 extracted from the 2014 Special-Purpose Financial Statements and 2015 Special-Purpose Financial Statements, respectively.

	YEAR ENDED DECEMBER 31,	
	2014	2015
	(in SAR thousand)	
Cash and cash equivalents at beginning of the year	138,036	188,159
Net cash from operating activities	498,975	216,411
Net cash from investing activities	94,326	405,511
Net cash used in financing activities	(574,017)	(556,627)
Increase in cash and cash equivalents	19,284	65,295
Cash acquired from acquisition of a subsidiary	30,839	—
Cash and cash equivalents at end of the year	188,159	253,454

The APP Group prepares its financial statements in Saudi riyals. Solely for the convenience of potential investors, the financial information in the table above is also presented in U.S. dollars below, converted at the exchange rate of US\$1 = SAR 3.75. See “Presentation of Financial and Other Information—Financial Information—U.S. Dollar Exchange Rate Convenience Translation.”

	YEAR ENDED DECEMBER 31,	
	2014	2015
	(in US\$ thousand)	
Cash and cash equivalents at beginning of the year	36,810	50,176
Net cash from operating activities	133,060	57,710
Net cash from investing activities	25,154	108,136
Net cash used in financing activities	(153,071)	(148,434)
Increase in cash and cash equivalents	5,142	17,412
Cash acquired from acquisition of a subsidiary	8,224	—
Cash and cash equivalents at end of the year	50,176	67,588

The following table sets forth certain summary special-purpose consolidated statement of cash flows data for the APP Group in 2015 and 2016 extracted from the 2016 Special-Purpose Financial Statements.

	YEAR ENDED DECEMBER 31,	
	2015	2016
	(in SAR thousand)	
Bank balances and cash at beginning of the year	188,159	253,454
Net cash from operating activities	254,036	314,445
Net cash from investing activities	405,511	89,030
Net cash used in financing activities	(594,252)	(282,731)
Increase in bank balances and cash	65,295	120,744
Bank balances and cash associated with discontinued operations	—	(192,238)
Bank balances and cash at end of the year	253,454	181,960

The APP Group prepares its financial statements in Saudi riyals. Solely for the convenience of potential investors, the financial information in the table above is also presented in U.S. dollars in the table below, converted at the exchange rate of US\$1 = SAR 3.75. See “*Presentation of Financial and Other Information—Financial Information—U.S. Dollar Exchange Rate Convenience Translation.*”

	YEAR ENDED DECEMBER 31,	
	2015	2016
	(in US\$ thousand)	
Bank balances and cash at beginning of the year	50,176	67,588
Net cash from operating activities	67,743	83,852
Net cash from investing activities	108,136	23,741
Net cash used in financing activities	(158,467)	(75,395)
Increase in bank balances and cash	17,412	32,198
Bank balances and cash associated with discontinued operations	—	(51,263)
Bank balances and cash at end of the year	67,588	48,523

Cash Flows from Operating Activities

The APP Group uses the indirect method of presenting the statement of cash flows. Under this method, the presentation of this statement begins with net income or loss, with subsequent additions to, or deductions from, that amount for non-cash revenue and expense items, followed by changes in working capital, resulting in net income from or used in operating activities.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015. The following table sets out cash flows from the APP Group’s operating activities in 2015 and 2016 extracted from the 2016 Special-Purpose Financial Statements.

	YEAR ENDED DECEMBER 31,	
	2015	2016
	(in SAR thousand)	
Income before zakat, tax and minority interests for continuing operations	341,969	448,190
Income before tax for the year from discontinued operations	104,078	151,356
Adjustments for:		
Depreciation	32,943	43,865
Provision for doubtful accounts	6,121	—
Provision for employees’ terminal benefits	10,784	16,652
Share in net income of an associate and joint ventures	(301,267)	(380,957)
Development expenses	158	—
Unrealized gain on derivatives	—	(38,172)
Fair value of cash flow hedges recycled to special-purpose consolidated statement of income	1,320	3,617
<i>Operating cash flows before working capital changes</i>	196,106	244,551
Changes in operating assets and liabilities:		
Prepayments and other receivables	(91,490)	117,517
Inventories	(40,258)	(5,470)
Due from related parties	(125,162)	(197,445)
Accounts payables and accruals	153,441	89,222
Deferred revenues and other liabilities	11,290	4,815
Cash flows from operations	103,927	253,190
Zakat and income tax paid	(12,758)	(18,436)
Employees terminal benefits paid	(5,101)	(6,104)
Dividends received from an associate and joint ventures, net	167,968	85,795
Net cash from operating activities	254,036	314,445

Net cash from operating activities increased by SAR 60.4 million, or 23.8%, from SAR 254.0 million in 2015 to SAR 314.4 million in 2016.

With respect to adjustments for non-cash items, the two most significant changes between the two years related to a (i) larger (by SAR 79.7 million) share in net income of an associate and joint ventures in 2016 as compared to 2015 and (ii) unrealized gain on derivatives in the amount of SAR 38.2 million in 2016. For an explanation of the increase in share in net income of an associate and joint ventures in 2016 as compared to 2015, see “—APP Group’s Results of Operations—Year Ended December 31, 2016 Compared to the Year Ended December 31, 2016—Share in Net Income of an Associate and Joint Ventures.” For a description of unrealized gain on derivatives in 2016, see “—APP Group’s Results of Operations—Year Ended December 31, 2016 Compared to the Year Ended December 31, 2016—Other Income.”

The most significant factor with respect to working capital changes between the two years was the smaller increase in accounts payable and accruals in 2016 (by SAR 89.2 million) as compared to 2015 (by SAR 153.4 million).

In addition, net cash from operating activities was negatively affected by the decrease in net dividends from an associate and joint ventures in 2016 (SAR 85.8 million) as compared to 2015 (SAR 168.0 million). This change was principally due to the decrease in dividends from SGA Marafiq Holdings W.L.L (the intermediate holding company for the Marafiq IWPP) from SAR 61.8 million in 2015 to SAR 41.8 million in 2016 and from Shuqaiq International Water and Electricity Company (the intermediate holding company for the Shuqaiq IWPP) from SAR 54.0 million in 2015 to SAR 31.3 million in 2016, partially offset by the increase in dividends from SAMAWEC (the intermediate holding company for the Shuaibah Expansion IWP and Shuaibah IWPP) from SAR 39.4 million in 2015 to SAR 45.3 million in 2016.

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014. The following table sets out cash flows from the APP Group’s operating activities in 2014 and 2015.

	YEAR ENDED DECEMBER 31,	
	2014	2015
	(in SAR thousand)	
Income before zakat, tax and minority interests	487,289	448,166
Adjustments for:		
Depreciation	36,537	32,943
Provision and impairments	10,791	6,121
Provision for employees’ terminal benefits, net	4,538	10,784
Share in net income of an associate and joint ventures	(364,348)	(300,525)
Development expenses	4,902	158
(Insurance claims against assets written off)/write off of plant and equipment	(35,043)	n/a
Fair value of cash flows hedges recycled to consolidated statement of income	(3,937)	1,320
<i>Operating cash flows before working capital changes</i>	<u>140,729</u>	<u>198,967</u>
Changes in operating assets and liabilities:		
Prepayments and other receivables	(58,789)	(94,871)
Inventories	(39,814)	(40,258)
Accounts payable and accruals	164,856	115,816
Deferred revenues and other liabilities	19,154	11,290
Due from related parties	<u>183,580</u>	<u>(125,162)</u>
Cash flows from operations	409,716	65,782
Zakat and income tax paid	(3,663)	(12,238)
Employees’ terminal benefits paid	n/a	(5,101)
Dividends from an associate and joint ventures, net	<u>92,922</u>	<u>167,968</u>
Net cash from operating activities	<u>498,975</u>	<u>216,411</u>

Net cash from operating activities decreased by SAR 282.6 million, or 56.6%, from SAR 499.0 million in 2014 to SAR 216.4 million in 2015.

With respect to adjustments for non-cash items, the two most significant changes between the two years related to a (i) smaller (by SAR 63.8 million) share in net income of an associate and joint ventures in 2015 as compared to 2014 and (ii) insurance claims against assets written off in the amount of SAR 35.0 million recognized as adjustment to income in 2014. For explanation of the decrease in share in net income of an associate and joint ventures in 2015 as compared to 2014, see “—APP Group’s Results of Operations—Year Ended December 31, 2015 Compared to the Year Ended December 31, 2014—Share in Net Income of an Associate and Joint Ventures.” Insurance claims against assets written off in the amount of SAR 35.0 million recognized as income in 2014 related to Bowarege fire incident in September 2013.

The most significant factor with respect to working capital changes between the two years was the increase in due from related parties in 2015 (by SAR 125.2 million) as compared to a decrease in due from related parties in 2014 (by SAR 183.6 million). The decrease in due from other parties in 2014 was principally due to large decreases in receivables from MEPCO (SAR 0.3 million as of December 31, 2014 as compared to a much larger amount as of December 31, 2013) and RABEC (SAR 17.2 million as of December 31, 2014 as compared to a much larger amount as of December 31, 2013). The decrease in due from related parties in 2015 was principally due to a change in due from RAWEC from SAR 276.6 million as of December 31, 2014 to SAR 65.8 million as of December 31, 2015.

In addition, net cash from operating activities was positively affected by the increase in net dividends from an associate and joint ventures in 2015 (SAR 168.0 million) as compared to 2014 (SAR 92.9 million). This change was principally due to the increase in dividends from SGA Marafiq Holdings W.L.L (the intermediate holding company for the Marafiq IWPP) from SAR 11.1 million in 2014 to SAR 61.8 million in 2015 and from Shuqaiq International Water and Electricity Company (the intermediate holding company for the Shuqaiq IWPP) from nil in 2014 to SAR 54.0 million, partially offset by the decrease in dividends from SAMAWEC (the intermediate holding company for the Shuaibah Expansion IWP and Shuaibah IWPP) from SAR 65.3 million in 2014 to SAR 39.4 million in 2015.

Cash Flows from Investing Activities

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015. The following table sets out cash flows from the APP Group's investing activities in 2015 and 2016.

	YEAR ENDED DECEMBER 31,	
	2015	2016
	(in SAR thousand)	
Purchase of property and equipment, net	(15,863)	(43,826)
Payment from a joint venture ⁽¹⁾ , net	61,014	132,856
Recovery of advances from investment	360,360	—
Net cash from investing activities	<u>405,511</u>	<u>89,030</u>

Note:

⁽¹⁾ This line item's name in the 2015 Special-Purpose Financial Statements was "proceeds from associates and joint ventures, net."

Net cash from investing activities decreased by SAR 316.5 million, or 78.0%, from SAR 405.5 million in 2015 to SAR 89.0 million in 2016. The principal reason for this decrease in net cash from investing activities between the two years was the recovery of advances from investment in the amount of SAR 360.4 million in 2015. Investments of SAR 351 million as of December 31, 2014 in SGA Marafiq Holdings W.L.L (the intermediate holding company for the Marafiq IWPP) were refinanced by SGA Marafiq Holdings W.L.L in 2015. Accordingly, the balance of SAR 351 million advanced to SGA Marafiq Holdings W.L.L was repaid to the APP Group in 2015.

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014. The following table sets out cash flows from the APP Group's investing activities in 2014 and 2015.

	YEAR ENDED DECEMBER 31,	
	2014	2015
	(in SAR thousand)	
Purchase of property and equipment, net	(9,904)	(15,863)
Proceeds from an associate and joint ventures, net	104,230	61,014
Recovery of advances from investment	—	360,360
Net cash from investing activities	<u>94,326</u>	<u>405,511</u>

Net cash from investing activities increased by SAR 311.2 million, or 329.9%, from SAR 94.3 million in 2014 to SAR 405.5 million in 2015. The principal reason for this increase in net cash from investing activities between the two years was the recovery of advances from investment in the amount of SAR 360.4 million in 2015. See "*—Cash Flows from Investment Activities—Year Ended December 31, 2016 Compared to Year Ended December 31, 2015.*"

Cash Flows Used in Financing Activities

Year Ended December 31, 2016. Net cash used in financing activities in 2016 amounted to SAR 282.7 million. In 2016, the APP Group used SAR 166.7 million in cash (on a net basis) to reduce the amount due to related parties. This was principally due to the net decrease of the payable balance to ACWA Power by APP in the amount of SAR 297.5 million (from SAR 409.6 million as of December 31, 2015 to SAR 112.2 million as of December 31, 2016). The remaining amount (SAR 112.2 million as of December 31, 2016) represents advances by ACWA Power to originally fund advances by the APP Group for investment. In addition, in 2016, the APP Group used SAR 50.3 million (on a net basis) to reduce the outstanding amount on its long-term loans and facilities and SAR 80.7 million to pay dividends.

Year Ended December 31, 2015. Net cash used in financing activities in 2015 was equal to SAR 556.6 million (based on data for 2015 extracted from the 2015 Special-Purpose Financial Statements). In this year, the APP Group used SAR 487.0 million in cash (on a net basis) to reduce the amount due to related parties. This was principally due to the net decrease of the payable balance to ACWA Power by APP. In addition, in 2015, the APP Group used SAR 48.7 million (on a net basis) to reduce the outstanding amount on its long-term loans and facilities and SAR 21.0 million to pay dividends.

Year Ended December 31, 2014. Net cash used in financing activities in 2014 was equal to SAR 574.0 million. This was principally due to dividends paid in the amount of SAR 473.2 million and net repayment of long-term loans and facilities in the amount of SAR 50.0 million.

Indebtedness

As of December 31, 2016, APP Group had SAR 394,484 thousand of outstanding indebtedness under its long-term loans and facilities and short-term facilities. For a description of the Bowarege Loan Agreement, see “*Description of Certain Other Financing Arrangements of Project Companies—Bowarege IWP / Bowarege.*”

Capital Expenditures and Investments in the Projects

The APP Group made capital expenditures, which consist of all additions to property plant and equipment, of SAR 45.4 million, SAR 15.9 million (based on data for 2015 extracted from the 2015 Special-Purpose Financial Statements) and SAR 43.8 million in 2014, 2015 and 2016, respectively.

The following table sets out the APP Group’s capital expenditures in 2014, 2015 and 2016.

	YEAR ENDED DECEMBER 31,		
	2014	2015 ⁽¹⁾	2016
	(in SAR thousand)		
Plant, machinery and equipment	27,522	7,947	26,095
Barges	7,476	—	1,080
Furniture and fixtures	2,181	23	6,357
Office equipment and computers	6,875	5,341	9,660
Motor vehicles	1,390	1,280	1,714
Capital work-in-progress	—	1,272	(1,080)
Total	45,444	15,863	43,826

Note:

⁽¹⁾ Numbers for 2015 are extracted from the 2015 Special-Purpose Financial Statements.

In addition to the capital expenditures discussed above, the APP Group also made additions to (or disposals with respect to) its investments in an associate and joint ventures. The following table sets forth additions to (or disposals with respect to) the APP Group's investments in an associate and joint ventures in 2014, 2015 and 2016.

	YEAR ENDED DECEMBER 31,		
	2014	2015 ⁽¹⁾	2016
Associate or joint venture:			
SAMAWEC (intermediate holding company for the Shuaibah Expansion IWP and Shuaibah IWPP)	—	52,145	—
SGA Marafiq Holdings W.L.L (intermediate holding company for the Marafiq IWPP)	—	—	—
Shuqaiq International Water and Electricity Company (intermediate holding company for the Shuqaiq IWPP)	6,249	698	638
RABEC (Project Company for the Rabigh IPP)	(153,600) ⁽²⁾	(62,904) ⁽²⁾	(134,599) ⁽²⁾
Qurayyah Investment Company (intermediate holding company for the Qurayyah IPP)	—	437,545	705
RAWEC (Project Company for the RAWEC IWSPP)	43,447	—	—
MEPCO (project company for the Rabigh 2 IPP)	1,250	—	—
Other	—	487	400
Upstream eliminations, net ⁽³⁾	4,673	n/a	n/a
Total	(97,981)	427,971	(132,856)

Notes:

⁽¹⁾ Numbers for 2015 are extracted from the 2016 Special-Purpose Financial Statements.

⁽²⁾ During the year, RABEC returned a portion of a permanent capital contribution by the APP Group in 2013.

⁽³⁾ This represents the elimination of upstream transactions with an associate and joint ventures.

During the period under review (from January 1, 2016 to December 31, 2016), the APP Group funded its capital expenditures and additions to its investments in an associate and joint ventures through net cash generated from operating activities.

Contractual Obligations and Commercial Commitments

The following table sets out the APP Group's total future commitments to settle contractual obligations as of December 31, 2016.

	AS OF DECEMBER 31, 2016				
	TOTAL	LESS THAN ONE YEAR	MORE THAN ONE AND LESS THAN TWO YEARS	MORE THAN TWO AND LESS THAN FIVE YEARS	MORE THAN FIVE YEAR
	(in SAR thousand)				
Equity commitments on Projects under related shareholder agreements	523	523	—	—	—
Operating lease obligations	1	1	—	—	—
Letters of credit / Letters of guarantee ⁽¹⁾	2,615	2,104	262	249	—
Borrowings ⁽²⁾	380	57	21	302	—
Total contractual obligations and commercial commitments ⁽³⁾	3,519	2,685	283	551	—

Notes:

⁽¹⁾ These are letters of credit or letters of guarantee provided by the entities within the APP Group. In certain instances, letters of credit or letters of guarantee for the Projects are provided by ACWA Power. Such letters of credit or letters of guarantee provided by ACWA Power are not reflected in this table.

⁽²⁾ The loans are subject to specific repayment terms and any default on the repayments could result in the acceleration of these payments.

⁽³⁾ This contractual obligations and commercial commitments table does not reflect purchase orders entered into in the normal course of business or long-term commitments for normal purchases and sales.

Contingent Liabilities

Letters of Credit

As of December 31, 2016, the APP Group had outstanding contingent liabilities in the form of letters of credit provided by APP in the amount of SAR 2.6 billion (as of December 31, 2015: SAR 2.7 billion). The following table sets out the split of such letters of credit provided by APP.

	AMOUNT AS OF DECEMBER 31, 2016
	(in SAR thousand)
Bid bonds	103,733
Performance / development securities	2,279,422
Debt service reserve account letters of credit	<u>232,102</u>
Total	<u>2,615,257</u>

SAR 2,044 million of such letters of credit will be transferred from APP to ACWA Power before the Issue Date.

Critical Accounting Estimates and Judgments

The preparation of the consolidated financial statements involves the use of judgments and/or estimations. These judgments and estimates are based on management's best knowledge of the relevant facts and circumstances, which are continually evaluated and are also based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual results may differ from the amounts included in the consolidated financial statements. Key sources of estimation uncertainty that may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year include the items presented below.

Fair Value of Unquoted Financial Instruments

Under the equity method of accounting for an associate and joint ventures, changes arising from the change in fair value to the extent of effective cash flow hedges in the associate's equity or joint ventures' equity is recognized directly in the APP Group's equity, to the extent the APP Group has incurred legal or constructive obligations.

When the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, the fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The APP Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are mainly interest rate swaps, foreign exchange forward contracts and call options. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the foreign exchange spot and forward rates and interest rate curves.

Pursuant to certain shareholder agreements, the APP Group has written put options on non-controlling interests in subsidiaries and on counterparty's ownership interest in an associate. The fair values of these put options (i.e., the net present value of their redemption amount on exercise) are derived from discounted projected cash flow analysis of the respective entities and the redemption amount determined pursuant to contractual agreements. The fair value measurements are performed on an annual basis.

Impairment

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value determination is typically the most judgmental part in an impairment evaluation. The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow (DCF) model. The cash flows are derived from the budget for the Projects' useful lives and do not include restructuring activities that the APP Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash-generating unit being tested. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Provision for doubtful debts is based on management's best estimates of recoverability of the amounts due along with the number of days for which such debts are due.

Financial Risk Management

An analysis of the APP Group's exposure to financial risks (market risk, credit risk and liquidity risk) appears in Note 21 to the 2016 Special-Purpose Financial Statements included elsewhere in this Offering Memorandum.

Summary of Significant Differences Between Saudi GAAP and IFRS

The Financial Statements have been prepared in accordance with Saudi GAAP, the standards of which are promulgated by the Saudi Organization for Certified Public Accountants ("**SOCPA**"). While there are number of Saudi accounting standards and interpretations issued to date, SOCPA refers to the International Financial Reporting Standards ("**IFRS**") as an alternative base to complement Saudi standards in cases when an accounting matter has not been covered by Saudi accounting standards and interpretations. Saudi GAAP differs from IFRS in certain significant respects (hereinafter referred to as "**GAAP differences**").

For purposes of this summary, the GAAP differences described below are the significant differences that apply to the 2016 Special-Purpose Financial Statements and this summary is not intended to present all the GAAP differences between Saudi GAAP and IFRS. This summary should not be considered to be exhaustive. Investors must rely on their own examination of the APP Group and its financial information. Investors should consult their own professional advisers for an understanding of the differences between Saudi GAAP and IFRS and how these differences might affect the APP Group's financial information. In addition, no attempt has been made to identify all classification, disclosure and presentation differences between Saudi GAAP and IFRS that would affect the manner in which transactions and events are presented in the Financial Statements or notes thereto or to quantify items discussed herein.

The discussion below is limited to GAAP differences in the recognition and measurement requirements affecting the APP Group's balance sheet and statement of income. Consequently, this summary does not deal with any differences related to the statement of cash flows, statement of changes in shareholders equity and presentation and disclosure requirements.

The principal differences between Saudi GAAP and IFRS are as follows:

Employees Benefits

According to the APP Group's accounting policy, employees' indemnity provision is calculated and accounted for at cost and in accordance with the related labour regulations in the Kingdom of Saudi Arabia. Adjustments to this provision are charged to the statement of income. Presently, end-of-service indemnities required by Saudi Arabian labor laws are provided in the financial statements based on the employee's length of service. Therefore, the liability represents the amount due on the basis that all employees leave or their service is terminated on January 1 following the year end.

Under IFRS, employees' end-of-service benefits as required by the Saudi Arabian law are accounted for and categorized as "post-employment: defined benefit plans." Accounting for defined benefit plans is complex and actuarial valuation is usually required to measure the obligation and the expense with a possibility of actuarial gains and losses based on actuarial assumptions. Moreover, the obligations are measured on a discounted basis because they may be settled many years after the employees render the related service.

Foreign Currency Transactions and Balances

According to Saudi GAAP, if a forward contract is intended to hedge against future identifiable foreign currency commitments, the difference between the agreed upon rate at the inception of the contract and the rate at the time of recording the transaction is added (or deducted) according to its nature, to the agreed upon amount.

In comparison, as per IFRS, a hedge of the foreign currency risk of a firm commitment may be accounted for as either a cash flow hedge or a fair value hedge in accordance with the requirements of International Accounting Standard 39.

Capital Lease

Both Saudi GAAP and IFRS require a lease to be classified as a capital lease if it transfers substantially all the risks and rewards incidental to the ownership of the leased asset to the lessee. Under Saudi GAAP this condition is satisfied if the lease meets one of the specified criteria in the relevant standard. IFRS on the other hand does not lay down strict criteria but provides indicators that individually or in combination, based on the substance of the transaction, would lead to a lease being classified as a capital lease. Under both standards, a lease that does not meet the criteria of a capital lease is classified as an operating lease.

Property, plant and equipment

Saudi GAAP requires recorded fixed assets to be measured and presented in the financial statements subsequent to acquisition date at historical cost model, adjusted by the accumulated depreciation and accumulated impairment losses. If the recoverable amount of an asset is lower than its carrying amount, the carrying amount is required to be written down to the recoverable amount, as an impairment loss that is charged to profit and loss in the respective reporting period. Saudi GAAP does not allow recording uplift in the carrying value that could possibly arise under fair value/revaluation model where recoverable amount of fixed assets is higher than their carrying values.

Under IFRS, entities can elect to adopt revaluation/fair value model for fixed assets, whereby fixed assets will be measured at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Taxation

Zakat and taxation is provided in accordance with the Regulations of the Department of Zakat and Income Tax in the Kingdom of Saudi Arabia and on an accruals basis. Differences, if any, resulting from final assessments are adjusted in the year of their finalization. Although, accounting principles related to deferred tax are applied—in line with the requirements of IFRS—for entities where part ownership interest(s) are held by foreign shareholders, Saudi GAAP does not promulgate provisions with respect to deferred zakat.

Financial instruments

Saudi GAAP does not carry detailed guidance on accounting for financial instruments, with the exception of investments in marketable securities. The limited guidance details requirements for accounting of financial assets only. Comprehensive guidance on classification, recognition and measurement of financial assets, financial liabilities, derecognition, offsetting, compound instruments, embedded derivatives, derivatives or hedge accounting is not provided.

Due to limited guidance on financial instruments in Saudi GAAP, as predominant market practice applicable in the Kingdom of Saudi Arabia, as permitted by SOCPA, entities alternatively apply the accounting requirements set out under IFRSs as accounting standards and interpretations, with respect to financial instruments.

Convergence of Saudi GAAP to IFRS

SOCPA has approved an IFRS transition plan by which listed entities would be required to report under IFRS Standards as adopted by SOCPA effective January 1, 2017 and non-listed entities to adopt effective January 1, 2018 (although an early adoption may be permitted by SOCPA for non-listed entities for the periods beginning on or after January 1, 2017). Under that plan, SOCPA is reviewing each individual IFRS Standard (including interpretations). To date, that review is completed for most IFRS standards and is ongoing for the remaining ones. As a result of the review to date, SOCPA has decided the following:

- 1- Additional disclosure requirements will be added to some standards, mainly to reflect Islamic law or local law.
- 2- Where IFRS permit optional treatments for a type of event or transaction, SOCPA may remove one of the options (such as revaluation model for property, plant and equipment outlined above).
- 3- SOCPA may decide to amend any requirement in IFRS that contradicts Islamic law or local law, taking into consideration the level of technical and professional preparedness in the Kingdom of Saudi Arabia.

SOCPA initiated the convergence project in 2012 and expects to complete it around 2017. SOCPA's stated goal for the project is to make a transition towards IFRS Standards after assuring their suitability to the Saudi environment through SOCPA's independent standard-setting process.

No attempt has been made to identify future differences between Saudi GAAP and IFRS as the result of prescribed changes in standards and regulations. In addition, as outlined above, regulatory bodies that promulgate Saudi GAAP and IFRS have significant projects ongoing that could affect future comparisons between Saudi GAAP and IFRS. No attempt has been made to identify all future differences between Saudi GAAP and IFRS that may affect financial statements as a result of transactions or events that may occur in the future.

NOMAC RESTRUCTURING

As of the date of this Offering Memorandum, the ACWA Power Group is in the process of restructuring NOMAC's operations in substantially the form described below (the "**NOMAC Restructuring**"), subject to receiving all the necessary approvals and consents. As the initial step in the NOMAC Restructuring, a new company, First National Holding Company ("**NOMAC Holding Company**"), was incorporated as a limited liability company under the laws of the Kingdom of Saudi Arabia.

The NOMAC Restructuring is intended to achieve three purposes. The first one is to ensure that the collateral to be provided to the Bondholders, after the completion of the NOMAC Restructuring, only relates to the seven Projects (Shuaibah Expansion IWPP, Marafiq IWPP, Shuqaiq IWPP, Rabigh IPP, Qurayyah IPP, Bowarege IWP and RAWEC IWSPP) described in the table in "*Description of the Projects and NOMAC's Operations—Description of NOMAC's Operations related to the Projects—Overview*" and the Rabigh 2 IPP. This will be achieved by transferring away from NOMAC (i) its contracts or subcontracts to provide operation and maintenance and, if applicable, other services to any projects other than the seven Projects referred to above and (ii) its ownership interests in its subsidiaries and joint ventures that provide operation and maintenance and, if applicable, other services to ACWA Power projects outside of the Kingdom of Saudi Arabia.

The second purpose of the NOMAC Restructuring is to remove from NOMAC all contingent liabilities (guarantee obligations or letters of credit) relating to the obligations of its subsidiaries and joint ventures that are being transferred away as discussed above.

The third purpose of the NOMAC Restructuring is to convert NOMAC Limited from a limited liability company to a closed joint stock company (NOMAC JSC), which will allow the shares of this newly-converted closed joint stock company to be pledged to the Bondholders by NOMAC Holding Company, which will own 100% of NOMAC JSC's shares. The conversion of NOMAC Limited to a closed joint stock company is necessary because under the laws of the Kingdom of Saudi Arabia an enforceable pledge over the shares in a limited liability company is not possible. To the extent any Trust Certificates, which are permitted under the Indenture, are issued after the Issue Date, this collateral will secure the Bonds, Additional Bonds, if any, and the Trust Certificates on a *pro rata* basis based on the aggregate principal amount of the Bonds and Additional Bonds issued and outstanding and the face amount of any Trust Certificates issued and outstanding.

The restructuring is likely to be implemented in the following steps. The first step was the establishment of NOMAC Holding Company as a wholly owned subsidiary of ACWA Power. The other steps in the NOMAC Restructuring, which is currently ongoing, require NOMAC to obtain consents from various third parties (and, where applicable, agree amendments to certain finance and project documents) in connection with the transfer of (i) its contracts or subcontracts to provide services to any projects other than the seven Projects referred to above, (ii) its ownership interests in its subsidiaries and joint ventures that provide services to ACWA Power projects outside of the Kingdom of Saudi Arabia, (iii) all of its contingent liabilities (guarantee obligations or letters of credit) relating to the obligations of its subsidiaries and joint ventures that are being transferred away as discussed above and (iv) the shares of NOMAC Limited from APP and Projects Acquisition Company to NOMAC Holding Company.

In order to complete the NOMAC Restructuring, NOMAC will have to complete transfers of shares of companies incorporated in eight countries (the Kingdom of Saudi Arabia, South Africa, Morocco, Oman, Egypt, Malta, Dubai and Turkey) that provide operation and maintenance services to at least 14 projects of the ACWA Power Group. These transfers require consents by a number of lenders, third party shareholders, offtakers and/or other stakeholders. In addition, various contracts relating to the operation and maintenance of each of these projects (and, in certain cases, related finance and other project agreements) also need to be amended in order to implement the NOMAC Restructuring, which will also require third party consents.

Each project has different characteristics (in terms of lender groupings and other stakeholders, such as third party shareholders in the local operation and maintenance companies and offtakers). The consent of the lenders, stakeholders and offtakers is required both to complete the share transfers (as such transfers would give rise to issues under change of control restrictions) and to amend various contracts relating to the operation and maintenance of these projects. The entities from which consent is required include government bodies such as, for example, the Moroccan Agency for Solar Energy. Obtaining all of these consents can be a time consuming process.

Furthermore, the conversion of NOMAC from a limited liability company to a closed joint stock company will also take time and cannot even be started before some of the issues related to such conversion are discussed and agreed with the regulatory authorities. A new Companies Act came into force in the Kingdom of Saudi Arabia in May 2016. The relevant regulatory authorities have little experience with how it is supposed to operate, which has led to delays in completing some of the steps in the NOMAC Restructuring (for example, with respect to the incorporation of companies and the issuance of licenses).

To facilitate the transfer of NOMAC’s subcontract for operation and maintenance services to the Shuaibah IWPP, a new limited liability company organized under the laws of the Kingdom of Saudi Arabia, Seqayah Operations and Maintenance Company (“**SWEC O&M**”) will be created and will become a subsidiary of NOMAC Holding Company. Following the receipt of the required consents and agreement on the form of the amendment and novation agreements, the existing subcontract to provide operation and maintenance services to the Shuaibah IWPP will be novated to transfer all rights and obligations under such subcontract from NOMAC to SWEC O&M.

NOMAC LLC, an existing limited liability company organized under the laws of DIFC (“**NOMAC DIFC**”), which is currently wholly owned by NOMAC, has been designated to take charge of NOMAC’s business outside of the Kingdom of Saudi Arabia. The shares of NOMAC DIFC will be transferred to NOMAC Holding Company. As the required third party consents are received, shares owned by NOMAC in companies outside of the Kingdom of Saudi Arabia will be transferred to NOMAC DIFC or, where this is not possible, such companies will issue shares to NOMAC DIFC such that NOMAC’s shareholding in these companies will become *de minimis*. All relevant agreements into which NOMAC has entered into with respect to its operations outside the Kingdom of Saudi Arabia will be novated to transfer all rights and obligations under such contracts from NOMAC to NOMAC DIFC or other subsidiaries of NOMAC DIFC with the intention of leaving NOMAC (and two of its subsidiaries and one joint venture) responsible only for the seven existing Projects and the Rabigh 2 IPP located in the Kingdom of Saudi Arabia.

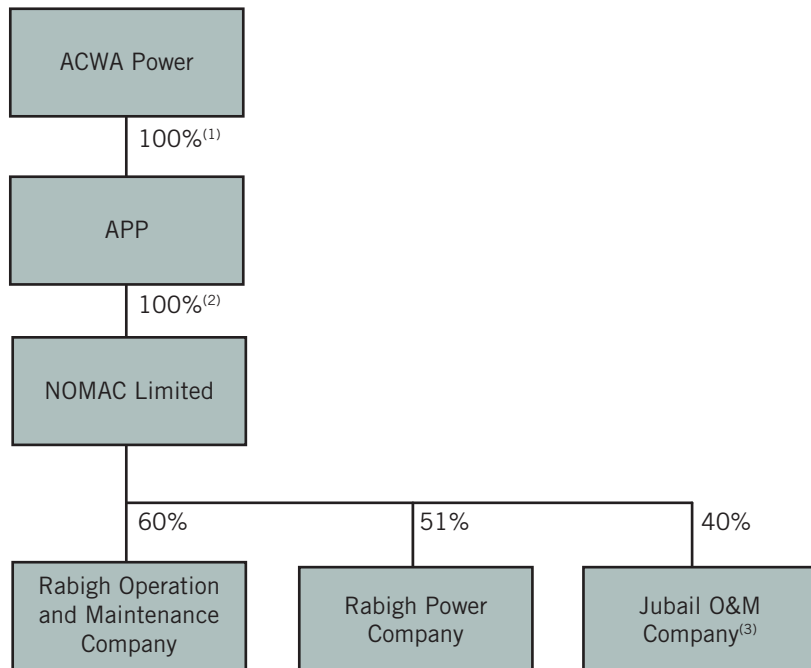
Contingent liabilities of NOMAC (guarantee obligations or letters of credit) relating to the obligations of its subsidiaries and joint ventures that are being transferred away will ultimately be transferred to NOMAC Holding Company which will become the provider of such letters of guarantee and letters of credit.

Further steps are the transfer of all shares in NOMAC held by APP and Projects Acquisition Company to NOMAC Holding Company and the conversion of NOMAC Limited to a closed joint stock company.

Unless otherwise permitted by the relevant authorities, certain restrictions under the laws of the Kingdom of Saudi Arabia prevent the transfer of shares in a newly converted closed joint stock company for a certain period of time, which means that NOMAC cannot be converted to a joint stock company before the transfer of its shares by APP and Projects Acquisition Company to NOMAC Holding Company is completed. The full transfer of NOMAC to NOMAC Holding Company requires the procurement of all consents, approvals and authorizations to allow APP and Projects Acquisition Company to transfer all of their shares in NOMAC to NOMAC Holding Company.

The consideration for the transfer of shares of NOMAC to NOMAC Holding Company will equal the net book value of NOMAC on the date of disposal.

The following chart shows ACWA Power, APP and the relevant NOMAC entities before the NOMAC Restructuring.



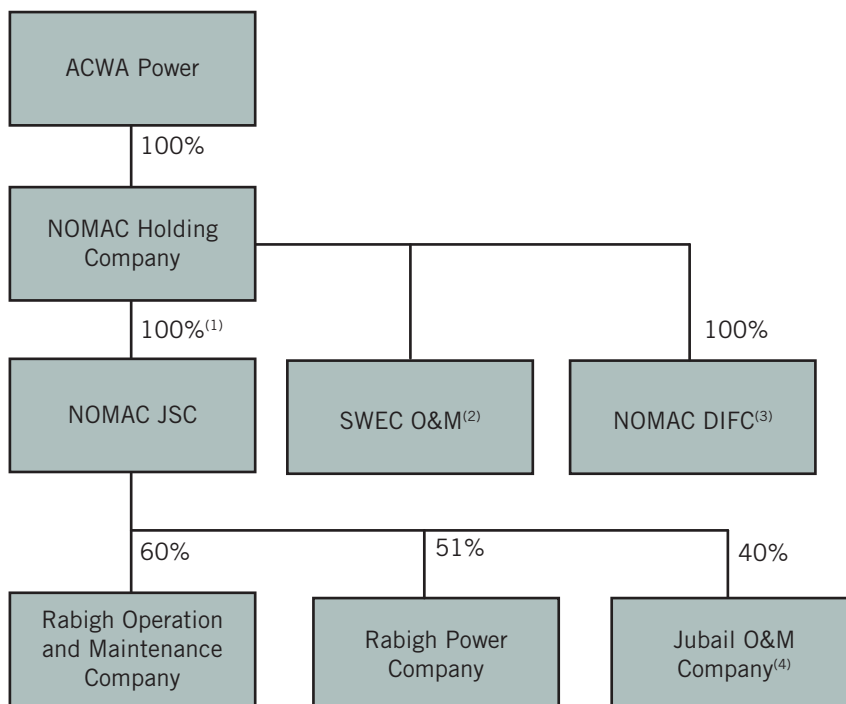
Notes:

⁽¹⁾ ACWA Power owns 98.15% of the shares of APP directly and the remaining 1.85% indirectly.

⁽²⁾ APP owns 99% of the shares of NOMAC directly, and ACWA Power owns the remaining 1% indirectly through Projects Acquisition Company.

(3) NOMAC owns (i) 40% of Suez NOMAC O&M Holding Company W.L.L, which, in turn, owns 50% of Jubail O&M Company and (ii) 40% of Jubail Operation Holdings Company W.L.L, which, in turn, owns 50% of Jubail O&M Company, which gives NOMAC a 40% indirect ownership interest in Jubail O&M Company.

The following chart shows ACWA Power, APP and the relevant NOMAC entities after the NOMAC Restructuring.



Notes:

- (1) The relevant Saudi Arabian authorities may require NOMAC JSC to have two shareholders, in which case a nominal ownership interest may be held by another entity in the ACWA Power Group.
- (2) This company is expected to provide operation and maintenance services to the Shuaibah IWPP. The majority of its shares will be owned by NOMAC Holding Company, with the remaining shares to be owned by Projects Acquisition Company.
- (3) This company and its subsidiaries are expected to be used to provide operation and maintenance services to ACWA Power Groups’ plants located outside of the Kingdom of Saudi Arabia.
- (4) NOMAC owns (i) 40% of Suez NOMAC O&M Holding Company W.L.L, which, in turn, owns 50% of Jubail O&M Company and (ii) 40% of Jubail Operation Holdings Company W.L.L, which, in turn, owns 50% of Jubail O&M Company, which gives NOMAC a 40% indirect ownership interest in Jubail O&M Company.

REGULATION

Regulatory Authorities

The Ministry of Energy, Industry and Mineral Resources and the Ministry of Environment, Water and Agriculture

Prior to a 2016 restructuring discussed below, the Ministry of Water and Electricity was the governmental entity setting out the policies governing the water and electricity sectors within the Kingdom of Saudi Arabia. The predecessor to the Ministry of Water and Electricity, the Ministry of Industry and Electricity, was established pursuant to Royal Decree no. A/236 dated October 14, 1975 as the governmental body responsible for placing and monitoring plans in relation to electricity services within the Kingdom of Saudi Arabia. Pursuant to Royal Decree no. A/2 dated May 1, 2003, the name of the Ministry of Industry and Electricity was changed, and the Ministry of Water and Electricity came into existence.

Royal Decree no. A/133 dated May 7, 2016, restructured the Ministry of Water and Electricity and such a ministry no longer exists. The electricity sector now falls under the jurisdiction of the Ministry of Energy, Industry and Mineral Resources. The water desalination sector now falls under the jurisdiction of the Ministry of Environment, Water and Agriculture. As this restructuring is fairly recent, the reconstituted ministries are still in the process of updating their procedures, which are subject to change.

The Electricity Law, enacted by Royal Decree no. M/56 dated November 22, 2005 sets out the principal tasks for which the Ministry of Water and Electricity was, and the Ministry of Energy, Industry and Mineral Resources is now, responsible. These, among others, include:

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

Details of the scope and nature of the ECRA’s tasks and responsibilities are further provided in the Electricity Law’s Implementing Regulations issued by ECRA Board Resolution no. 3/11/27 dated January 13, 2006.

Electricity and Cogeneration Regulatory Authority

ECRA, which was formed in November 2001 pursuant to Council of Ministers Resolution no. 236 dated November 12, 2001, is a government agency which regulates the electricity and cogeneration industries in the Kingdom of Saudi Arabia with a mission to allow for the provision of adequate, high quality and reliable electricity services at a reasonable price. ECRA’s powers and responsibilities, as defined by Council of Ministers resolution no. 154 dated May 5, 2007, include:

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

The Electricity Law explicitly states that no person may carry out any electricity activity unless in accordance with a license issued by ECRA, and additionally provides the regulatory framework for such licensing. The Electricity Law further defines “electricity activity” under the definition of “electricity industry” as electricity services which a person undertakes, or intends to undertake, including the generation, cogeneration, transmission, distribution, supply and trading of electricity. In addition to making sure that new activities in the electricity and water

desalination industries are regulated, ECRA is also responsible for regulating existing facilities. ECRA monitors the performance of licensees to ensure that they comply with their license conditions, offer reliable and high-quality services, respond within a reasonable time period to consumers' complaints, reduce the number and extent of service interruptions, and continually invest in their facilities to provide service to new customers.

ECRA can take such measures as are necessary in the public interest, such as to provide supplemental sources of generation in the event of an expectation of significant shortages in the supply of electricity. Without prejudice to harsher penalties that might be included in other regulations, any person who commits any violation of the provisions of the Electricity Law, the Electricity Law's Implementing Regulations or ECRA's charter will become subject to one or more of the following penalties:

- a fine not exceeding 10 million Saudi riyals for each violation;
- cessation of the activity; and
- cancellation or suspension of the license.

ECRA may impose custodianship on the activities of any person violating the provisions of the Electricity Law, the Electricity Law's Implementing Regulations or ECRA's charter in the case of urgent and essential cases that may necessitate such action, provided that the matter is urgently referred, within a period not exceeding 30 days, to the dispute resolution committee formed under the Electricity Law.

Under the Electricity Law, the Project Companies are required to obtain and maintain valid licenses in relation to generation of electricity. An ECRA cogeneration license is a license granted by ECRA for developing or expanding a cogeneration facility to produce electricity and desalinated water and for producing such products. These activities are not permitted in the absence of an ECRA cogeneration license. The license must be obtained prior to the commencement of construction works for a cogeneration facility and is required throughout the period of cogeneration.

As part of the application, the applicants are required to provide information on the specific type of cogeneration activities to be carried out, evidence that they have the financial capacity to carry out the cogeneration activities, evidence that they have the technical capacity and experience to carry out the cogeneration activities, evidence that their proposed and existing facilities, equipment, installations or plant necessary for the cogeneration activities satisfy the relevant technical, health, safety and environmental protection regulations and such further information as may be required by ECRA. The term and applicable conditions of the cogeneration license vary and will be stated in the particular license. They take into account the design life of the plant and others facilities to be used to carry out the licensed activities. The applicants need to pay an annual fee to ECRA, which becomes payable from the commencement date of the facilities, commercial operation. ECRA may determine to renew, amend, suspend, revoke or withdraw a license if the licensee has requested such action, if the license conditions require such action, or if the licensee has violated the conditions of the license or has committed a violation under the Electricity Law or the Electricity Law's Implementing Rules.

The cogeneration licenses are granted subject to, but not limited to, the following conditions: (i) the term for which the license is granted; (ii) the scope of the electricity activities; (iii) the activities which the licensee is prohibited from carrying out; (iv) notification to, and authorization by, ECRA of a proposed merger or acquisition involving the licensee; (v) the level of, and requirements for, segregation of the electricity activities from the other activities of the licensee for accounting and regulatory purposes; (vi) the provision of accounting information by the licensee to ECRA; (vii) the compliance by the licensee with the applicable codes, decisions and standards of ECRA and (viii) the terms and conditions on which ECRA may suspend, cancel, revoke or amend the license.

The licensee is required to notify ECRA six months prior to the expiry of the term of its license as to whether it intends to renew the license. ECRA is required to inform the licensee not later than three months prior to expiry whether it requires the licensee to submit a formal license renewal application. If ECRA does not notify the licensee in this manner, it must renew the license for at least one year commencing on the expiry of the current term of the license. During the additional term, ECRA and the licensee must meet to discuss issues related to the renewal or further extension of the license.

The Seawater Desalination Code approved by ECRA's board of directors in 2011 is aimed at covering all aspects of the water desalination industry, including production, dispatch and transportation. It provides clear guidelines to which all concerned parties must adhere to in order to achieve:

- compliance of produced desalinated water with the approved standards;
- high operational efficiency;
- fair competition that attracts investments in this industry; and
- low cost of desalinated water production.

The Saudi Arabian General Investment Authority

The Saudi Arabian General Investment Authority (“**SAGIA**”), which was formed pursuant to Council of Ministers Resolution no. 2 dated October 2, 2000, is a government agency which regulates foreign investment in the Kingdom of Saudi Arabia and grants foreign investors investment licenses depending on the sector in which they will invest. An applicant for an investment license is required to submit an online application form to SAGIA.

The SAGIA investment license, when initially issued, is valid for one year and thereafter the validity period varies between one to three years, depending on the applicant and the license fees it pays. The applicant will only be permitted to carry out the activities and to produce the products specifically referred to in the investment license, and the issuance of an investment license will permit the applicant to continue with its entity incorporation activities in the Kingdom of Saudi Arabia.

Industrial Services License from the Ministry of Energy, Industry and Mineral Resources

In addition to the SAGIA investment license, companies involved or planning to become involved in electricity generation need to apply for an industrial services license from the Ministry of Energy, Industry and Mineral Resources. An industrial services license will still need to be obtained from the Ministry of Energy, Industry and Mineral Resources, even where a SAGIA industrial (as opposed to services) license has been obtained. Prior to November 2015, the Ministry of Commerce and Industry (now renamed the Ministry of Commerce and Investment) issued industrial licenses to companies producing electricity and water.

The Ministry of Commerce and Investment has changed its position in relation to issuing industrial licenses to companies producing electricity and water, with the new position reflected in Ministerial Decision no. 77191 dated November 6, 2015. The electricity and water producers that are making an application with respect to a new project, will need to apply for an “industrial service license” (and not an “industrial license”). The electricity and water producers that are renewing their industrial investment licenses will now need to apply for an “industrial service license.” Applicants will need to submit an application to the Ministry of Energy, Industry and Mineral Resources along with the required information and supporting documents. The industrial services license, when initially issued, is valid for one year and thereafter the validity period varies between one to three years, depending on the applicant and the license fees it pays.

Industrial projects established by Saudi Arabian nationals, or companies which are wholly owned by Saudi Arabian entities, are granted certain privileges and incentives under the Regulations for the Protection & Encouragement of National Industries, Royal Decree No. 50, dated May 27, 1962 (the “**Protection of National Industrial Regulations**”). The privileges and incentives available to industrial projects established by Saudi Arabian nationals or by wholly-owned Saudi Arabian entities under the Protection of National Industries Regulations were also potentially available to industrial projects licensed under the new Foreign Investment Law of 2000. However, the Ministry of Commerce and Investment has taken the view that an “industrial” project requires a transformation of commercial products that results in producing a tangible commercial product. On the basis of this view, the Ministry of Commerce and Investment does not consider electricity and water projects as qualifying for the exemption of custom duties available to industrial projects. Consequently, electricity and water projects will not be entitled to exemption of custom duties as such projects do not or will not have industrial licenses.

Environmental Regulation

APP and its subsidiaries and the Project Companies are subject to environmental laws and regulations within the Kingdom of Saudi Arabia. Under the General Environmental Regulation enacted by Royal Decree no. M/34 dated October 15, 2001, the Presidency of Meteorology and Environment (“**PME**”; formerly known as the Meteorology and Environmental Protection Administration) is the governmental entity responsible for the administration and policing of environmental affairs in the Kingdom of Saudi Arabia.

The General Environmental Law and Implementing Regulations for the General Environmental Law issued on October 23, 2003 set out wide-ranging prohibitions on pollution and contamination of air, land and water, with particular reference to all parties involved in services, industry or other economic activities.

Under the General Environmental Law and Implementing Regulations for the General Environmental Law, the Project Companies are required to conduct their operations in line with environmental guidelines set by the Saudi Arabian government. Independent surveyors periodically inspect their facilities to ensure compliance with these guidelines. ACWA Power has also initiated a system of internal audits at the ACWA Power Group’s facilities to monitor compliance with applicable environmental laws. The ACWA Power Group’s management believes that emissions from the Project Companies’ power and/or water plants are within standards set by the Saudi Arabian Government and that it, its subsidiaries and the Project Companies are in material compliance with all applicable environmental laws in the Kingdom of Saudi Arabia.

Recent Directives of High Commission for Industrial Security

High Commission for Industrial Security has the authority to issue new directives and rules related to security and safety of industrial operations. In 2016, High Commission for Industrial Security issued certain new directives relating to security and safety systems, with which all of the Project Companies are required to comply. Some of the costs associated with compliance with such directives may be covered under the change in law protections available under the project agreements for individual Projects.

Government's Saudization Initiative and Expatriate Employee Levies

In June 2011, the former Ministry of Labor (now the Ministry of Labor and Social Development) introduced a Saudization program known as the "Nitaqat" scheme, which categorizes private businesses into four categories, depending on their Saudization level. Under the "Nitaqat" scheme, businesses receive certain privileges and incentives or are subject to certain penalties, particularly in relation to visa applications, transfers and renewals, depending on the category to which they belong. In 2016, a new scheme known as "Nitaqat Al Mawzoon" was developed. The new program is a points-based system and is intended to replace the current "Nitaqat" program, which calculates Saudization levels solely on the basis of the percentage of Saudi employees within any establishment. According to the new program, Saudization levels will be determined based on the number of points earned by any establishment, and points will be earned based on the following five factors: (i) the Saudization percentage; (ii) the percentage of Saudi female employees; (iii) the average Saudi employee retention; (iv) the average Saudi employee wage; and (v) the percentage of Saudi employees receiving high wages, in each case within the relevant establishment. According to a Ministry of Labor and Social Development representative, however, implementation of the "Nitaqat Al Mawzoon" program has been postponed until further notice.

The Ministry of Labor adopted Ministerial Resolution Number 353 dated January 1, 2011, which imposed an employee levy on all companies whose expatriate employees exceeded the number of Saudi Arabian employees. This levy of SAR 200 per employee per month is payable to the Human Resources Development Fund in respect of each such additional expatriate employee. In an effort to encourage the employment of Saudi nationals, the recently issued Fiscal Balance Program 2020, issued by the Council for Economic and Development Affairs, announced that (i) effective from 2018, the aforementioned levy will be extended to all companies that employ expatriate employees and that such levy will be payable in respect of all expatriate employees employed by such company (in each case, irrespective of the proportion of expatriate employees to Saudi employees), but that such levy will be charged at discounted rates where expatriate employees do not exceed the number of Saudi employees and (ii) effective from July 2017, a new levy will be imposed on companies in respect of the dependents of expatriate employees, in each case, with such levy increasing year-on-year between 2017 and 2020.

Introduction of the VAT Regime in Saudi Arabia

On January 30, 2017, the Shura Council in the Kingdom of Saudi Arabia announced the approval of the Gulf Cooperation Council (GCC) Value Added Tax (VAT) Framework Agreement. The Kingdom of Saudi Arabia is the first member of the six-member GCC to officially announce the adoption of the unified GCC VAT regime. Officials at the Saudi Arabian Ministry of Finance have indicated that the VAT regime will be applicable from January 1, 2018 and a 5% levy will apply to selected goods as set forth in the GCC agreement.

The common VAT framework will form the basis for the introduction of a national VAT system by each member state of the Gulf Cooperation Council. There are a number of challenges that still need to be addressed before it is introduced. The exact details of the VAT regime that will need to be set out in the common framework and national legislation are yet to be made available.

The Project Companies are, however, currently assessing that exact financial impact of the VAT regime. They are generally protected against the adverse consequences of new laws under the change in law clause of the respective PPA, WPA or PWPA. Therefore, ACWA Power's management currently expects that any adverse impact of the VAT arising due to the new VAT regime becoming effective on January 1, 2018 will be mitigated due to the protection under change in law clause of the respective PPA, WPA or PWPA and that the respective offtakers will be liable to compensate the Project Companies for any additional costs or expenses related to the introduction of the VAT regime.

Introduction of New Zakat Regulation in the Kingdom of Saudi Arabia

The Ministry of Finance for the Kingdom of Saudi Arabia has issued Ministerial Resolution 2082 ("MR 2082") dated 01/06/1438H (corresponding to February 28, 2017). MR 2082 introduces the implementing regulations relating to rules and procedures of determining Zakat liability and its collection. MR 2082, together with the regulations, is not a new legal framework for Zakat, but rather a consolidation into one document of the current Zakat practices of the General Authority of Zakat and Tax (the "GAZT") with some key changes.

One of the key changes proposed under the new Zakat regulation that may have an adverse impact on JWAP, the Project Company for the Marafiq IWPP, is with respect to treatment of finance lease receivables under the new Zakat regulation.

Current Zakat regulation, based on the ruling issued by the GAZT, has allowed JWAP as a lessor to take a deduction of its finance lease receivables from its Zakat base, thereby reducing the Zakat liability of AMWEC, a Saudi shareholder of JWAP. The proposed Zakat regulation does not provide clarity on the treatment of finance lease receivables from lessor's perspective and addresses only the lessee's perspective.

MANAGEMENT

The Issuer

We are a company limited by shares incorporated in DIFC specifically for the purposes of the Offering. We were incorporated under the Companies Law, DIFC Law No. 2 of 2009, on November 7, 2016. Our registered number is 2307 and our registered office is located at Unit 811B, Level 8, Liberty House, Dubai International Financial Centre, P.O. Box 30582, Dubai, United Arab Emirates. Our financial year ends on December 31.

Our authorized share capital is US\$50,000.00 and our initial registered paid up capital is US\$50,000.00, represented by 50,000 ordinary shares of no par value. ACWA Power, our parent company, owns 100% of our shares.

Since our date of incorporation, we have not commenced operations and we have not prepared financial statements as of the date of this Offering Memorandum.

The following table sets out the names and positions of the members of our board of directors:

<u>NAME</u>	<u>AGE</u>	<u>POSITION</u>
Paddy Padmanathan	59	Director
Rajit Nanda	46	Director
Kashif Rana	42	Director

Mr. Padmanathan is the Chief Executive Officer and President of ACWA Power. For biographical information about him, see “—ACWA Power—ACWA Power’s Senior Management—Chief Executive Officer and President.” Mr. Nanda is the Chief Investment Officer and Mr. Rana is the Chief Financial Officer of ACWA Power. For biographical information about Mr. Nanda and Mr. Rana, see “—ACWA Power—ACWA Power’s Senior Management—Other Members of the Executive Committee.”

There are no potential conflicts of interest between the private interests or other duties of the members of the Issuer’s board of directors listed above and their duties to the Issuer.

Since we have been created specifically for the purposes of the Offering and our sole purpose is to facilitate the payment of all obligations on the Bonds, our decision-making will be highly constrained by the Indenture and Bond Security Documents, by which we and our affiliates and related parties are bound. We expect that the scope of corporate decisions made by us will be substantially limited to the extent necessary to effect the Offering, to take the actions required to pay interest and principal on the Bonds and to comply with the terms of the Indenture and Bond Security Documents to which we are a party.

ACWA Power

ACWA Power is not just the holding company of the ACWA Power Group, as its board of directors (“**ACWA Power Board of Directors**”) and management team provide the vision for the ACWA Power Group’s continuing growth and are ultimately responsible for the success of its operations. In addition to owning 100% of our shares, ACWA Power, through its wholly owned subsidiary APP and a number of intermediary holding companies, indirectly owns from 17.5% to 64.85% of each of the eight Project Companies. Following completion of the the transfer of shares of NOMAC to NOMAC Holding Company, ACWA Power will indirectly own 100% of NOMAC through NOMAC Holding Company (and any other *de minimis* shareholder of NOMAC).

ACWA Power Board of Directors

The ACWA Power Board of Directors consists of 10 directors, each of whom is appointed by ACWA Power’s shareholders at the general shareholders’ meeting. The directors are appointed for three-year terms and perform their duties subject to ACWA Power’s by-laws and the Saudi Arabian regulations applicable to the management of companies.

The following table sets out the name, age and position of each member of ACWA Power Board of Directors elected by the general assembly meeting of ACWA Power on June 16, 2016, each of whom is serving a three-year term of office commencing on July 5, 2016.

<u>NAME</u>	<u>AGE</u>	<u>POSITION</u>
Mohammed Abdullah Abunayyan	54	Chairman and member of the ACWA Power Board of Directors
Sulaiman A.K. Al-Muhaidib	62	member of the ACWA Power Board of Directors
Ahmad Sulaiman Al-Rajhi	49	member of the ACWA Power Board of Directors
Ibrahim M. Al-Romaih	62	member of the ACWA Power Board of Directors
Mohammed Al-Nahas	54	member of the ACWA Power Board of Directors
Rasheed Abdulrahman Al-Rasheed	51	member of the ACWA Power Board of Directors
Tariq M. Al-Mutlaq ⁽¹⁾	53	member of the ACWA Power Board of Directors
Mohsen A. Khalil ⁽¹⁾	64	member of the ACWA Power Board of Directors
David Crane	58	member of the ACWA Power Board of Directors
Federico Tauber	49	member of the ACWA Power Board of Directors

Note:

⁽¹⁾ Member of the ACWA Power Board of Directors who is independent in accordance with the corporate governance regulations of the Capital Market Authority.

Mr. Abunayyan was put forward by ACWA Holding to join the ACWA Power Board of Directors. He was first appointed to the ACWA Power Board of Directors and became the chairman of the Board of Directors in 2008. Mr. Abunayyan is also the chairman of Abunayyan Holding Company and also serves as chairman and member of the board of directors of many reputable Saudi Arabian companies, including the National Agricultural Development Company and the Saudi Research and Marketing Group.

Mr. Al-Muhaidib was put forward by ACWA Holding to join the ACWA Power Board of Directors. He was first appointed to the ACWA Power Board of Directors in 2008. Since 1997, he has been the chairman of the board of directors of Abdulkadir Al-Muhaidib and Sons Company, which was one of the two original corporate founders of ACWA Holding in 2002 along with Abunayyan Trading Company. Mr. Al-Muhaidib is currently the chairman of the boards of Savola Group, Al Oula Development Company, Middle East Paper Company, Amwal Al Khaleej Commercial Investment Company, RAFAL Real Estate Development Company, Al Shamiyah Urban Development Company and Swicorp Joussour. He also is a member of the boards of directors of Saudi Arabian British Bank (“SABB”), Almarai Company, National Industrialization Company (TASNEE), Prince Salman Center for Disability Research, Prince Fahad bin Salman Charity Association for Renal Failure Patients Care and The Centennial Fund. Mr. Al-Muhaidib studied at the Faculty of Medicine at Riyadh College in Riyadh, Saudi Arabia.

Mr. Al-Rajhi was put forward by MADA Group to join the ACWA Power Board of Directors. He was first appointed to the ACWA Power Board of Directors in 2008. He is also the vice-chairman of Al-Rajhi Holding Company and serves as the vice-chairman of the Industrial Committee of the Chamber of Commerce and Industry in the Kingdom of Saudi Arabia’s Central Province. In addition, he sits on the boards of directors of Saudi Industrial Property Authority (MODON) and the National Industrial Committee. He is also a member of the boards of directors at Al-Rajhi Insurance Company, Injaz Real Estate Company, Farabi Petrochemicals Company, Hail Cement Company and Trio Mada International Plastic Company, and he serves as chairman of the board of directors of Gulf Packaging Industries Ltd. Mr. Al-Rajhi has been awarded the degree of Bachelor of Science in Industrial Engineering from King Fahd University of Petroleum and Minerals in Dhahran, Saudi Arabia.

Mr. Al-Romaih was put forward by Sanabil Direct Investment Company to join the ACWA Power Board of Directors. He was first appointed to the ACWA Power Board of Directors in 2013. He is currently Chief Executive Officer of Sanabil Direct Investment Company. Prior to joining Sanabil Direct Investment Company in 2009, Mr. Al-Romajh was appointed in 2004 by royal decree as the vice chairman of the Capital Market Authority (“CMA”). He served prior to that, from 1985 to 2004, as Assistant Secretary General of the Public Investment Fund (“PIF”). Mr. Al-Romajh is a member of the board of directors of National Commercial Bank, Saudi Arabia, and he has served as a board member and/or chairman of several Saudi and international companies.

Mr. Al-Nahas was put forward by the Saudi Public Pension Agency to join the ACWA Power Board of Directors. He has been a member of the ACWA Power Board of Directors since June 2016. Since 2008, Mr. Al-Nahas has served as the general manager of branch banking in the retail banking group of Alinma Bank, based in Riyadh, Saudi Arabia. Mr. Al-Nahas has been awarded a Bachelor’s degree in Administrative Science and Accounting from King Saud University in Riyadh, Saudi Arabia.

Mr. Al-Rasheed was put forward by ACWA Holding to join the ACWA Power Board of Directors. He is currently a member of the board of directors of ACWA Holding and served as the chief executive officer of ACWA Holding from 2002 to 2013. Mr. Al-Rasheed was first appointed to ACWA Power Board of Directors in 2008. Mr. Al-Rasheed is a member of the Saudi Organization for Certified Public Accountants, the Saudi Economy Association and the Family Business Council of the Gulf Cooperation Council. Mr. Al-Rasheed has been awarded the degree of Bachelor of Management Information Systems from King Saud University in Riyadh, Saudi Arabia.

Mr. Almutlaq is an independent member of the ACWA Power Board of Directors and was put forward by minority investors (Al Mutlaq Group Company, Badad International Company for Trading and Contracting, Future Industrial Investments Company and Al Toukhi Commercial Group Company). He was first appointed to ACWA Power's Board of Directors in 2008. Prior to that, from 1996 to 2008, he served as Vice-President for Investment overseeing the Investment Portfolio of Almutlaq Group, while also serving concurrently (from 1996 to 2003) as the Regional General Manager for the NAPCO Group of Companies, leading the Paper Division, Consumer Products Division and Flexible Packaging Division. Mr. Al-Mutlaq began his career in 1986 with Almutlaq Furniture Company, and later became the company's general manager from 1994 to 1996. He has been the managing partner of Al-Mutlaq Group since 2014 and serves on its board of directors. Mr. Al-Mutlaq is chairman of the boards of directors of Daikin Saudi Arabia, United Feed Manufacturing Company and Al-Mutlaq Real Estate Investment Company. He is also a member of the boards of directors of Almutlaq Group Company and Riyadh Cables Group of Companies. Mr. Al-Mutlaq holds the degree of Bachelor of International Finance and Marketing from American University in Washington, in the United States.

Dr. Khalil was appointed to the ACWA Power Board of Directors as an independent director in February 2015. Dr. Khalil is the Founder and Chief Executive Officer of MAKVEST, LLC, an advisory/investment firm that provides financial and investment advisory services to companies operating in and/or focusing on emerging markets. Previously, Dr. Khalil had a long executive career with IFC and the World Bank. He held various leading positions including Global Head of the Climate Business Group of IFC (with oversight of corporate wide green investments, including renewables, and Cleantech), joint World Bank/IFC Director of the Global Information and Communication Technologies Department, Regional Director of IFC's Central Asia, Middle East and North Africa Department and Chief Investment Officer in the Infrastructure Department. Before joining the World Bank Group, while also a Professor of Business at the American University of Beirut, Dr. Khalil served as Chief Adviser to the Lebanese Minister of Post and Telecommunications, Board Director of Lebanon's Autonomous Fund for Housing, and adviser to various governments and major corporations in the Middle East. He also worked with McKinsey & Co. Management Consultants, NASA Goddard Space Flight Center and MITRE Corporation. Dr. Khalil holds an M.S. from MIT Sloan School of Management, a Ph.D. in Electrical Engineering from the University of Southern California, a M.Sc. in Electrical Engineering from the University of Wisconsin Madison, and a B.Sc. in Physics from the American University of Beirut.

Mr. Crane was put forward by ACWA Holding to join the ACWA Power Board of Directors. He has been a member of the ACWA Power Board of Directors since December 2015. Since April 2016 Mr. Crane has served as senior operating executive at Pegasus Capital Advisors, a private equity firm. Before that, he was President and chief executive officer of NRG Energy, a Fortune 200 company, from 2003 to 2015. He was also chairman and Chief executive officer of NRG Yield, listed on the New York Stock Exchange, from 2012 to 2015. Prior to that, Mr. Crane was chief executive officer and executive director at International Power Plc, from 2000 to 2003. Mr. Crane is a member of the board of directors of ACWA Guc and Lightning Science Group (a leader in the emerging field of biological lighting), and is chairman of Impala Holdings, a U.K.-domiciled company focused on renewables development in Africa. Mr. Crane is also a director of Vote Solar, a solar advocacy group active at the state level in the United States.

Mr. Tauber is the CEO of Gemstone Real Estate Development LLC, the real estate arm of Al Rajhi Holding and the CEO of The Land Development Co., a lead developer in the prestigious The Pearl Qatar. He is also a member of the board of directors of AEP Investment Management, a global real estate private equity firm based in Singapore, and a member of the board of directors and chairman of the investment committee of Basil Trust, a global real estate investment fund based in Singapore. Previously, Mr. Tauber was the President of Tamer Holding Investment. Prior to that, he was the Vice President of Business Development of Al Rajhi Holding, one of the largest private groups in the Kingdom of Saudi Arabia. He also held a position of Director of Electroputere S.A., a producer of heavy electro-technical equipment in Romania. Prior to that, he was the Managing Director of Citigroup and member of the board of directors of the branch of Citibank in Argentina and President of Citicorp Administradora de Inversiones S.A. and Director of Gire S.A., Citigroup. He started his career in CAPSA, a vertically integrated producer of oil, gas and power in Argentina. Mr. Tauber has a broad range of experiences in business management, investment banking, financial services, real estate and corporate restructuring developed over a career of 20 years in Latin America and nine years in the Middle East.

Committees of the ACWA Power Board of Directors

The ACWA Power Board of Directors has five committees: the Audit Committee, the Risk and Compliance Committee, the Executive Committee, the Conflict of Interest and Related Party Transaction Committee and the Nomination and Remuneration Governance Committee.

The Audit Committee consists of four members with the committee chairman being an independent member of the committee. All the members have adequate knowledge and experience of accounting standards and commercial laws they need to perform their functions. This committee is responsible for:

- reliability and integrity of accounting policies, financial reporting and disclosure practices;
- implementing and maintaining processes, policies and procedures to assure compliance with all relevant laws, regulations, and ACWA Power policy, including a process for receipt of complaints and concerns regarding management fraud and accounting, internal control of auditing matters;
- monitoring and enforcement of the ACWA Power Code of Conduct and Ethics;
- evaluating external auditors' qualifications, independence and performance;
- performing ACWA Power's Group Internal Audit function;
- the internal control system;
- application of accounting policies, business policies and practices;
- financial management; and
- protecting ACWA Power's assets.

The Conflict of Interest and Related Party Transaction Committee consists of three members of the ACWA Power Board of Directors and is responsible for reviewing and approving:

- any related party transaction and conflict of interest situation as provided for under Saudi companies laws and the Corporate Governance Regulations issued by the Capital Market Authority, and as set out in ACWA Power's Related Party and Conflict of Interest Policy; and
- ACWA Power's disclosures in the annual report or financial statements on materially significant related party transactions.

The Executive Committee consists of six members of the ACWA Power Board of Directors and is responsible, among other things, for:

- reviewing and recommending to the ACWA Power Board of Directors ACWA Power's five-year business plans, operating plans, capital plans, capital expenditure programs and other studies or plans that will have a significant impact upon the operations of ACWA Power;
- reviewing and recommending to the ACWA Power Board of Directors for approval ACWA Power's "Annual Business Development Plan," "Strategic Business Development Plan" and "Strategic Risk Review," which are documents proposed by ACWA Power's management identifying various investments, acquisitions and bidding opportunities;
- reviewing management's reports and analysis on potential new investments and tender bids;
- approving investments/acquisitions and/or bids in relation to any project, and/or further changes or revisions in such investment or bids submitted or to be submitted by ACWA Power including entering into agreements in relation to bid submission, as well as confirming that ACWA Power's management has the requisite authority to complete the documentation for submitting offers in tenders and subsequently to execute all relevant agreements and contracts;
- reviewing and recommending to the ACWA Power Board of Directors any amendments to existing or new corporate investment principles or general guidelines proposed by ACWA Power management in respect of ACWA Power's financial assets, not including individual investments or tender bids, over which the Executive Committee has sole authority; and
- reviewing and approving the annual budget and recommending the same for approval by the ACWA Power Board of Directors.

The Nomination and Remuneration Governance Committee consists of three members of the ACWA Power Board of Directors. The Nomination and Remuneration Governance Committee is an advisory committee to the ACWA Power Board of Directors and does not have powers to approve matters unless such powers are specifically delegated by the ACWA Power Board of Directors. Its scope of activity includes:

- leading the process and making recommendations to the ACWA Board of Directors for the appointments of nominated ACWA Power directors and nominated members of committees of the ACWA Power Board of Directors;

- conducting an annual review of the requirements for membership on the ACWA Power Board of Directors and its committees;
- reviewing the structure of the the ACWA Power Board of Directors and recommending changes;
- determining the points of strength and weakness in the membership of the the ACWA Power Board of Directors and its committees;
- annually certifying the independence of the independent members of the Audit and Risk Committee and the Conflict of Interest and Related Party Transactions Committee;
- considering succession planning for the the ACWA Power Board of Directors and ACWA Power’s Chief Executive Officer and President (see “—ACWA Power’s Senior Management—Chief Executive Officer and President” below) and its Managing Director (see “—ACWA Power’s Senior Management—Managing Director” below);
- ensuring that ACWA Power’s remuneration package is sufficient to attract, retain and motivate the directors of the quality required;
- recommending to the ACWA Power Board of Directors the overall amount of the pool of annual cash bonus and employee reward share plan;
- reviewing, recommending and directing employee long-term benefit and employee share based reward plans on the basis of specifically delegated power; and
- annually reviewing the Corporate Governance Guidelines and Procedures Manual and reporting to the ACWA Power Board of Directors on such review.

The Risk and Compliance Committee consists of four members of the ACWA Power Board of Directors and is responsible for:

- providing oversight and advice to the ACWA Power Board of Directors on the current risk exposures and future risk strategy of the Company, including strategy for capital and liquidity management;
- fostering and maintaining a supportive risk management culture across the company, taking account of established prescriptive rules, processes and procedures and compliance with applicable laws and regulations;
- facilitating continuous improvement of the Company’s capabilities around managing its risks (current and emerging risks), controls and compliances including effective utilization of risk management techniques in decision making; and
- supporting the Board’s efforts to monitor and evaluate, guidelines and policies to govern the process by which internal controls, risk assessment, risk management and compliances are undertaken.

ACWA Power’s Senior Management

The following table sets out the name, age and position of each of the members of ACWA Power’s Executive Committee.

NAME	AGE	POSITION
Paddy Padmanathan	59	Chief Executive Officer and President
Thamer Al Sharhan	54	Managing Director
Rajit Nanda	46	Chief Investment Officer
Kashif Rana	42	Chief Financial Officer
Michael Edsall Carboy	57	Vice President – Integrated Strategy and Implementation

Chief Executive Officer and President

Mr. Padmanathan joined the ACWA Power Group in 2006 and became ACWA Power’s Chief Executive Officer and President in 2008 when ACWA Power was created. Mr. Padmanathan has over 30 years of experience, including over 25 years in senior management. Before joining the ACWA Power Group, he served as Vice President for Europe, Africa and Middle East at Black and Veatch (from 2001 to 2006). Mr. Padmanathan has been awarded the degree of Bachelor of Science in civil engineering from Manchester University in the United Kingdom.

Managing Director

Mr. Al-Sharhan joined the ACWA Power Group in 2013 as ACWA Power’s Managing Director. Mr. Al-Sharhan has over 30 years of experience, including 20 years in senior management. Immediately before joining ACWA Power, Mr. Al-Sharhan was the President and Chief Executive Officer at Power and Water Utility Company for Jubail and Yanbu (from 2006 to 2013). From 2004 to 2006, he was the President at Saudi Petrochemical Company.

Other Members of the Executive Committee

Mr. Nanda joined the ACWA Power Group in 2009 as ACWA Power's Chief Financial Officer, in which capacity he served until 2013. He has been ACWA Power's chief investment officer since 2013. Mr. Nanda has over 20 years of experience, almost all of it in senior management and in the energy business. Prior to joining the ACWA Power Group, from 1998 to 2008, Mr. Nanda was chief financial officer for Middle East, Asia and Africa at GDF Suez Energy International. He has been awarded the degree of Master of Business Administration by Xavier Institute of Management in India.

Mr. Rana joined ACWA Power Group in 2009 as APP's director for accounting, controls and taxation, and was appointed ACWA Power's Chief Financial Officer in 2013. He has about 15 years of experience, which includes serving as AES Corporation's Chief Financial Officer for the Middle East from 2001 to 2008. Mr. Rana has been a member of the Institute of Chartered Accountants of Pakistan since 2001.

Mr. Carboy has been with ACWA Power Group since October 2015, when he joined as member of the Executive Committee and member of NOMAC's board of directors. Prior to joining ACWA Power, he was an Executive Vice President in charge of group strategy and mechanical manufacturing at OC Oerlikon from January 2013 to October 2015 and the head of China, India and Emerging Market Research – Asset Management at Deutsche Bank from June 2011 to October 2012.

Corporate Governance

ACWA Power complies with certain key requirements of the corporate governance regulations of the CMA. The CMA requires that all companies listed on a Saudi stock exchange comply with these corporate governance regulations. Although ACWA Power is a closely held company and does not have a listing at the date of this Offering Memorandum, it voluntarily complies with certain key requirements set out in CMA's corporate governance regulations. In addition, with the IFC as a shareholder, ACWA Power has incorporated standards of corporate governance which seek to comply with international best practice and aim for accountability, transparency and appropriate disclosure.

ACWA Power's Board of Directors has adopted an internal corporate governance code that incorporates internal governance regulations including the corporate governance manual and charters for each of ACWA Power Board of Directors' committees and its international advisory board. ACWA Power's corporate governance code also includes an anti-corruption and anti-bribery policy.

APP

APP is a closed joint stock company incorporated under the laws of the Kingdom of Saudi Arabia. Its registered office is located at Business Gate Building, Exit 8, Eastern Ring, Riyadh 11416.

The following table sets out the names and positions of the members of APP's board of directors:

NAME	AGE	POSITION
Abdulhameed AIMuhaidib	32	Director
Mohammed Abdullah Abunayyan.	54	Director
Paddy Padmanathan	59	Director
Kashif Rana	42	Director
Thamer Saud Al Sharhan	55	Director

Mr. AIMuhaidib is the executive managing director at Shuaa Energy (which owns ACWA Power's solar IPP in Dubai). He has previously held various roles in assets management and corporate finance at ACWA Power and has also worked with HSBC. Mr. AIMuhaidib studied at the George L. Graziadio School of Business and Management at Pepperdine University in the United States.

Mr. Abunayyan is the Chairman of the ACWA Power Board of Directors. For biographical information about him, see "*—ACWA Power—ACWA Power Board of Directors.*" Mr. Padmanathan is the Chief Executive Officer and President of ACWA Power. For biographical information about him, see "*—ACWA Power—ACWA Power's Senior Management—Chief Executive Officer and President.*" Mr. Rana is the Chief Financial Officer of ACWA Power. For biographical information about him, see "*—ACWA Power—ACWA Power's Senior Management—Other Members of the Executive Committee.*" Mr. Al Sharhan is the Managing Director of ACWA Power. For biographical information about him, see "*—ACWA Power—ACWA Power's Senior Management—Managing Director.*"

There are no potential conflicts of interest between the private interests or other duties of the members of APP's board of directors listed above and their duties to APP.

NOMAC's Senior Management

The following table sets out the name, age and position of each of the members of NOMAC's Executive Committee.

NAME	AGE	POSITION
Julio Torre Gutierrez	53	Chief Executive Officer and President
Sivakumar Lakshman	49	Chief Financial Officer

Mr. Gutierrez was appointed as Chief Executive Officer and President of NOMAC in 2009. In this capacity, he manages and oversees all aspects of business operations for NOMAC. Mr. Gutierrez has extensive management, finance, operations and maintenance, business development and marketing experience in the energy and water industries, including in thermal and renewable companies. In this capacity he oversaw the mobilization, commissioning, start-up and provided for the long term operation of the US\$2.5 billion Shuaibah and the US\$2.1 billion Shuqaiq green-field independent water and electricity projects. He serves on the board of directors of the Engie (GDF Suez) and NOMAC consortium responsible for operations and maintenance of the Marafiq independent water and power project. He also serves on the board of directors of the Korean Electric Company and NOMAC consortium responsible for commissioning, operations and maintenance of the Rabigh power and water project. He also serves on the board of directors of SunE NOMAC, a SunEdison and NOMAC consortium responsible for commissioning, operations and maintenance of a photovoltaic solar generation project in Bulgaria. He serves on the board of directors of Rabigh Power Company LLC, a Sumitomo, JGC and NOMAC consortium responsible for operations and maintenance of the Rabigh power and water project. He serves on the board of directors of NOMAC Oman, NOMAC IAES Bokpoort Ltd, and NOMAC Turkey. Prior to that, Mr. Gutierrez spent 24 years at Duke Energy International, acting from 2007 to 2009 as the Vice President of Business Operations in Latin America. Mr. Gutierrez holds a Bachelor's Degree of Science in Engineering from North Carolina State University.

Mr. Lakshman was appointed Chief Financial Officer of NOMAC in 2013. In this capacity, he set up and implemented NOMAC's global supply chain function. He also serves on the board of directors of NOMAC IAES Bokpoort PTY Limited South Africa, NOMAC Solar Limited Malta and SunE NOMAC AD Bulgaria. He has twenty-five years of experience in financial controller and CFO roles in the infrastructure, logistics, manufacturing and service industries. From 2012 to 2013 he acted as the Vice President—Group Finance Operations at BMMI in the Kingdom of Bahrain. Mr. Lakshman earned a Bachelor's Degree of Commerce from the University of Madras in India. He is a member of the Institute of Chartered Accountants of India, Institute of Cost and Management Accountants of India, Information Systems Audit and Control Association in Illinois, USA, and the Association of Certified Chartered Accountants in the UK.

SHAREHOLDERS

We are a wholly owned subsidiary of ACWA Power. ACWA Power was incorporated pursuant to Ministerial Resolution No. 215/S dated July 5, 2008 with commercial registration number 1010253392 dated July 13, 2008 with its registered office at Building 5, Business Gate Office Complex, Airport Road, P.O. Box 22616, Riyadh 11416. ACWA Power is a holding company for the ACWA Power Group. For a brief overview of the ACWA Power Group's business, see "*Summary—Overview—ACWA Power Group.*"

Shareholders of ACWA Power

The following table sets forth information on the shareholders of ACWA Power as of the date of this Offering Memorandum.

SHAREHOLDER	%
ACWA Holding	47.2
MADA Group	23.3
Sanabil Direct Investment Company	11.5
Saudi Public Pension Agency	4.8
International Finance Corporation (IFC)	5.1
Al Mutlaq Group Co	3.7
Omar Kassem Al Esayi & Marketing Co	2.3
Badad International Co. for Trading and Construction Ltd	0.8
Future Industrial Investments Co. Ltd	0.8
Al-Toukhi Commercial Group Co. Ltd	0.4
Total	100.0

Arabian Company for Water & Power (ACWA Holding)

ACWA Holding is registered in Riyadh, the Kingdom of Saudi Arabia. Founded in 2002 by Al Muhaidib Group and Abdullah Abunayyan Group (Abunayyan Holding), ACWA Holding holds diversified investments in complimentary infrastructure activities including utilities and water management, district cooling, civil contracting, manufacturing, industrial mining and other infrastructure-related businesses such as the development of privately-owned industrial cities and commercial and residential real estate, facilities management and logistics.

MADA Group for Industrial & Commercial Investment

MADA Group for Industrial & Commercial Investment is registered in Riyadh, the Kingdom of Saudi Arabia. Founded by Al-Rajhi Group as a special purpose vehicle for strategic investments, its activities include purchasing real estate, building construction and the selling of that land, investing in land with a view to sell or rent it for the company, investing in industrial projects and developing, and managing and maintaining buildings. In addition, its activities include the wholesale and retail sales of air conditioners, water and sanitary equipment, importing and exporting raw materials for textiles and carpets.

Sanabil Direct Investment Company

Sanabil Direct Investment Company is registered in Riyadh, the Kingdom of Saudi Arabia and is wholly owned by Saudi Arabian Investment Company. Saudi Arabian Investment Company is wholly owned by the Public Investment Fund. The company's objective is to invest its capital and reinvest the profits generated from such investments (and such other funds that may be allocated to it from time to time by its sole shareholder) in various areas of investment within and outside the Kingdom of Saudi Arabia.

Saudi Public Pension Agency

Saudi Public Pension Agency was established pursuant to Article (eighth) of the Pension Law and entrusted with the administration of pension affairs for the civil and military government personnel.

International Finance Corporation (IFC)

IFC is a member of the World Bank Group and is owned by 184 member countries. It is the largest global development institution focused exclusively on the private sector in developing countries. IFC's main business activities include providing: (i) investment services, including making loans to and loan guarantees for, and making equity capital investments in, private companies in developing countries; (ii) advisory services to private companies in developing countries and to government agencies that promote the advancement of the private sector in developing countries; and (iii) asset management services that facilitate the raising of capital from a broad range of investors and the investment of that capital in private sector companies in developing countries.

Al Mutlaq Group Company

Al-Mutlaq Group Company is registered in Riyadh, the Kingdom of Saudi Arabia and is part of the Al-Mutlaq Group, which is based in Riyadh since 1954 with activities encompassing diverse sectors including manufacturing, electro-mechanical engineering, real estate, utilities and financial investments through strategic stakes in local and international companies.

Omar Kassem Alesayi Marketing Company

Omar Kassem Alesayi Marketing Company Limited is registered in Jeddah, the Kingdom of Saudi Arabia. The company is part of the Omar Kassem Alesayi Group, which was founded in 1945 and has interests in food, real estate, consumer and trading, engineering and technology, services, manufacturing and investment sectors across 18 countries.

Badad International Company for Trading and Contracting

Badad International Company for Trading and Contracting is registered in Riyadh, the Kingdom of Saudi Arabia and has interests across the building materials, plastic products and the fast food and leisure sectors.

Future Industrial Investments Company

Future Industrial Investments Company is registered in Dammam, the Kingdom of Saudi Arabia. Belonging to the Ali Zaid Al Quraishi & Brothers group, which was founded in 1958 and currently has activities, among others, in the marketing and distribution of leisure goods and household products, as well as in office furniture, telecommunications, electronics, electrical equipment and motor vehicles.

Al-Toukhi Commercial Group Company

Al-Toukhi Commercial Group Company is registered in Riyadh, the Kingdom of Saudi Arabia. It is a part of the Al-Toukhi Group, which is one of the leading holding groups in the Kingdom of Saudi Arabia, with interests in architectural and interior design, engineering consultancy, distribution of building materials and pharmaceutical products.

RELATED PARTY TRANSACTIONS

Related Party Transactions of the APP Group

The following table sets out information on (i) revenue, service fee income, special commission income and special commission expense in 2015 (based on numbers from the 2016 Special-Purpose Financial Statements) and 2016 as a result of transactions with related parties and (ii) receivable and payable balances as of December 31, 2015 (based on numbers from the 2016 Special-Purpose Financial Statements) and 2016 that arose as a result of transactions with related parties.

RELATED PARTY	RELATIONSHIP	REVENUE, INCOME OR EXPENSE / BALANCE	
		YEAR ENDED DECEMBER 31, 2015	YEAR ENDED DECEMBER 31, 2016
(in SAR thousand)			
Special-purpose consolidated statement of income			
Revenue	Affiliates	143,187	151,517
Service fees income	Associate and joint ventures	4,688	4,688
Special commission income	Associate	5,988	12,818
Special commission expense	Shareholder	1,979	1,804
		AS OF DECEMBER 31, 2015	AS OF DECEMBER 31, 2016
(in SAR thousand)			
Due from related parties			
Current:			
HEPCO ⁽¹⁾	Joint venture	111,305	—
RAKAA and its affiliates ⁽²⁾	Affiliates	95,601	57,224
RAWEC ⁽¹⁾⁽³⁾	Associate	65,769	6,388
ACWA Power Barka SAOG ⁽¹⁾	Affiliate	35,848	—
SQWEC ⁽¹⁾	Joint venture	21,700	—
RABEC ⁽¹⁾⁽³⁾	Joint venture	13,397	—
ACWA Power Ouarzazate S.A. ⁽⁴⁾	Affiliate	12,643	—
SEPCO ⁽¹⁾⁽³⁾	Joint venture	9,582	933
SWEC ⁽¹⁾⁽³⁾	Joint venture	7,894	1,742
ACWA Power Ouarzazate II S.A. ⁽⁴⁾	Affiliate	1,503	—
MEPCO ⁽¹⁾	Joint venture	119	—
Other related parties		2,959	—
		378,320	66,287
Non-Current:			
RAWEC ⁽⁵⁾	Associate	—	299,557
ACWA Power Global Holdings Limited ⁽⁶⁾	Affiliate	37,625	37,625
Qurayyah Investment Company ⁽⁷⁾	Joint venture	—	10,372
		37,625	347,554
Due to related parties			
Non-Current:			
ACWA Power	Parent	409,648	112,194 ⁽⁸⁾
KAHROMAA ⁽⁹⁾	Affiliate	40,925	—
ACWA Power Barka Project TSA Company	Affiliate	2,960	—
Others	Affiliate	1,797	—
		455,330	112,194

Notes:

- (1) As of December 31, 2015, due from Project Companies mainly include accounts due to NOMAC (and its subsidiaries) for operation and maintenance services provided to these companies under an operation and maintenance contracts.
- (2) A significant portion of receivable represents invoices outstanding in relation to supply of desalinated water to SWCC, the ultimate customer, which are billed by Bowarege to RAKAA. There is a back to back arrangement between RAKAA and SWCC for the supply of desalinated water that was extended for an additional 30 month period starting January 1, 2017 and further extension of the duration is subject to the renewal of the contract between RAKAA and SWCC. The balance also includes receivable from Rakaa International Service Company on account of bridge facility repayments made on its behalf by Floating Ships for Water Projects Company Limited.
- (3) The receivables as of December 31, 2016 relate to fee from services rendered and special commission income.

- (4) This represents construction and early mobilization management fees in 2015.
- (5) This amount represents the subordinated loan provided by APP that has no specific repayment date. The loan carries a special commission of LIBOR plus an agreed margin.
- (6) The balance represents advances from/to an affiliate that bear no special commission and have no specific repayment date.
- (7) The balance represents advance received from/to HEPCO that has no specific repayment date and bears no special commission. The balance will be reclassified to investment upon completion of the legal formalities.
- (8) The balance represents (i) funds received by APP on behalf of ACWA Power in the amount of SAR 63.8 million, (ii) payable to ACWA Power for treasury shares in the amount of SAR 40.9 million and (iii) payable to ACWA Power for services rendered to the entities within the APP Group in the amount of SAR 7.5 million
- (9) The balance as of December 31, 2015 represents amounts due to KAHROMAA (a subsidiary of ACWA Power) with respect to the treasury shares acquired by the APP Group in 2014. During 2016, the amount was assigned by KAHROMAA to ACWA Power.

In addition, during 2015, advance for investment of SAR 437 million to Qurayyah Investment Company and SAR 52 million to SAMAWEC were converted to investment in equity capital of Qurayyah Investment Company and SAMAWEC, respectively, during the year.

Related Party Transactions of the Project Companies

Two key relationships for each Project Company are with the offtaker for the Project and with the operation and maintenance services provider. During the period under review (January 1, 2014 to December 31, 2016), the offtaker for six out of eight Projects (Marafiq IWPP, Shuqaiq IWPP, Rabigh IPP, Qurayyah IPP, Bowarege IWP and RAWEC IWSP) was a related party of the respective Project Company.

The following table sets out information on the offtaker for each Project, whether or not it was a related party of the respective Project Company and revenues received by each Project Company from such related party offtaker in 2014, 2015 and 2016.

PROJECT COMPANY	OFFTAKER	RELATED PARTY OR NOT	REVENUE FROM THE OFFTAKER THAT IS A RELATED PARTY FOR THE YEAR ENDED DECEMBER 31,		
			2014	2015	2016
SEPCO (Shuaibah Expansion IWP)	WEC	No ⁽¹⁾		(in SAR thousand) Not a related party	
SWEC (Shuaibah IWPP)	WEC	No ⁽²⁾		Not a related party	
JWAP (Marafiq IWPP)	Tawreed	Yes ⁽³⁾	1,485,636	1,580,205	1,592,765
SQWEC (Shuqaiq IWPP)	WEC	Yes	784,225	801,707	793,118
RABEC (Rabigh IPP)	SEC	Yes ⁽⁴⁾	1,014,414	972,865	898,057
HEPCO (Qurayyah IPP)	SEC	Yes ⁽⁵⁾	256,929	769,645	938,695
Bowarege (Bowarege IWP)	RAKAA	Yes ⁽⁶⁾	92,633	133,762	138,056
RAWEC (RAWEC IWSP)	Petro-Rabigh	Yes ⁽⁷⁾	631,920	616,343	887,014

Notes:

- (1) SEC, which is one of SEPCO's shareholders, has an ownership interest in WEC.
- (2) SEC and PIF, which are SWEC's shareholders, have ownership interests in WEC.
- (3) Tawreed is a wholly owned subsidiary of JWAP's shareholder Marafiq, which has a 30% ownership interest in JWAP. The amounts in this row reflect gross capacity and output invoices issued by JWAP under the Marafiq PWPA to Tawreed.
- (4) SEC has a 20% ownership interest in RABEC.
- (5) SEC has a 50% ownership interest in HEPCO.
- (6) RAKAA has a 35.15% ownership interest in Bowarege.
- (7) Petro-Rabigh has a 1% ownership interest in RAWEC.

During the period under review, NOMAC was the provider of operation and maintenance services to five Projects, and its two subsidiaries and one joint venture provided operation and maintenance services to three Projects.

The following table sets out information on the provider of operation and maintenance services for each Project, whether it was a contractor or a subcontractor and revenues received by such operation and maintenance services provider from each Project Company in 2014, 2015 and 2016.

PROJECT COMPANY	OPERATION AND MAINTENANCE SERVICES PROVIDER	CONTRACTOR OR SUBCONTRACTOR	PAYMENTS TO OPERATION AND MAINTENANCE CONTRACTOR FOR THE YEAR ENDED DECEMBER 31,		
			2014	2015	2016
(in SAR thousand)					
SEPCO (Shuaibah Expansion IWP)	NOMAC	Subcontractor	49,981	50,015	49,847
SWEC (Shuaibah IWPP) ⁽¹⁾	NOMAC	Subcontractor	75,293	91,617	98,299
JWAP (Marafiq IWPP)	Jubail O&M Company ⁽²⁾	Contractor	319,369 ⁽³⁾	331,252 ⁽⁴⁾	341,417
SQWEC (Shuqaiq IWPP)	NOMAC	Contractor	131,280	130,711	134,393
RABEC (Rabigh IPP)	Rabigh Operation and Maintenance Company ⁽⁵⁾	Contractor	80,283	76,233	81,567
HEPCO (Qurayyah IPP)	NOMAC	Contractor	64,158	205,861	268,927
Bowarege (Bowarege IWP)	NOMAC	Contractor	30,485	34,752	36,714
RAWEC (RAWEC IWSPP)	Rabigh Power Company ⁽⁵⁾	Contractor	69,680	175,104	182,882

Notes:

⁽¹⁾ NOMAC will no longer provide operation and maintenance services for the Shuaibah IWPP after the NOMAC Restructuring is completed.

⁽²⁾ NOMAC's joint venture in which it has an indirect 40% ownership interest.

⁽³⁾ Consistent with the presentation in the financial statements of JWAP as of and for the year ended December 31, 2016, operations and maintenance costs for the year ended December 31, 2014 in the financial statements of JWAP as of and for the year ended December 31, 2015 (SAR 222,518 thousand) were reclassified to SAR 319,369 thousand. This number is derived from the financial statements of JWAP as of and for the year ended December 31, 2015, adjusted by the management for the above-mentioned reclassification for consistency of presentation with the financial statements of JWAP as of and for the year ended December 31, 2016.

⁽⁴⁾ Payments under operation and maintenance agreement for the year ended December 31, 2015 in the financial statements of JWAP as of and for the year ended December 31, 2015 (SAR 226,029 thousand) were reclassified in the financial statements of JWAP as of and for the year ended December 31, 2016 to SAR 331,252 thousand. This number for the year ended December 31, 2015 is derived from the financial statements of JWAP as of and for the year ended December 31, 2016.

⁽⁵⁾ A subsidiary of NOMAC.

The Project Companies were also parties to the following related party transactions exceeding SAR 10 million during the period from January 1, 2014 to December 31, 2016:

- JWAP made payments to its indirect shareholder Kahrabel F.Z.E in the amounts of SAR 100.1 million in 2014, SAR 102.1 million in 2015 and SAR 102.2 million in 2016;
- SQWEC received and repaid a subordinated loan from its shareholders in the amount of SAR 61.4 million in 2014;
- RABEC made repayments on a shareholders loan received in 2013 in the amount of SAR 384.0 million in 2014, SAR 165.0 million in 2015 and SAR 344.2 million in 2016;
- In 2014, RABEC paid SAR 369.0 million to ACWA Power, KEPCO and SEC as owner contingency cost;
- HEPCO incurred liquidated damages payable to its offtaker (and shareholder) SEC in the amount of SAR 481.5 million in 2014 and SAR 65.3 million in 2015. It recovered liquidated damages of SAR 550.0 million from its EPC contractor (and indirect shareholder) Samsung C&T Corporation in 2014;
- HEPCO received a subordinated advance in the amount of SAR 2,550.0 million from its shareholders in 2014.
- HEPCO incurred long-term spares and mobilization costs payable to NOMAC of SAR 166.0 million in 2014;
- HEPCO made a provision for doubtful debts, which was related to certain receivables from SEC, in the amount of SAR 71.5 million in 2016;
- HEPCO incurred energy charges from SEC in the amount of SAR 17.2 million in 2016;
- HEPCO recovered energy charges from the EPC contractor in the amount of SAR 13.0 million in 2016; and

In addition, RAWEC was party to the following related party transactions during the period under review (excluding revenue received from Petro-Rabigh and operation and maintenance expenses paid to Rabigh Power Company discussed above).

RELATED PARTY	NATURE OF TRANSACTION	YEAR ENDED DECEMBER 31,		
		2014	2015	2016
		(in SAR thousand)		
Partners	Term loan repayments during the year	197,563	207,483	154,956
	Borrowing cost on term loans	143,319	131,533	202,863
	Borrowing cost on subordinated loan	5,915	10,340	5,341
	Costs incurred on behalf of partners	3,842	—	n/a
	Technical services	18,466	7,313	7,313
	Materials purchased	8,874	—	n/a
	Financial fine	n/a	n/a	n/a
	Subordinated loan received during the year	396,894	—	n/a
	Subordinated loan repaid during the year	n/a	n/a	60,111
	Term loan received during the year	—	2,338,691	451,996
	Short term loan received during the year	—	8,071	801,517
	Short term loan repaid during the year	n/a	n/a	798,993
	Borrowing cost on term loans capitalized	—	104,719	75,729
	Borrowing cost on short term loans	n/a	n/a	7,304
	Amount received for increase in capital	116,250	—	n/a
	Directly attributable project cost paid to the partners . . .	—	56,158	—
Other related parties	Subordinated loan received during the year	236,856	—	n/a
	Subordinated loan repaid during the year	n/a	—	89,052
	Borrowing cost on subordinated loan	3,537	6,206	7,904
	Advance paid to Rabigh Power Company	15,235	18,704	19,300
	Services rendered	13,008	49,482	—
	Net liabilities transferred to Rabigh Power Company . . .	(5,958)	—	n/a

DESCRIPTION OF CERTAIN OTHER FINANCING ARRANGEMENTS OF PROJECT COMPANIES

The following is a summary of the material terms of the principal financing arrangements of the Project Companies. The following summaries do not purport to describe all of the applicable terms and conditions of such arrangements and are qualified in their entirety by reference to the actual agreements. Capitalized terms used in the following summaries not otherwise defined in this Offering Memorandum have the meanings ascribed to them in the respective agreement.

This section sets out a summary of certain financing arrangements of the Project Companies.

PROJECT / PROJECT COMPANY	AMOUNTS OUTSTANDING AS OF DECEMBER 31, 2016 (in SAR thousand)	FINAL MATURITY	DISTRIBUTION COVENANTS
Shuaibah Expansion IWP / SEPCO	482,248	February 28, 2027 for (i) syndicated commercial facility and (ii) Islamic facility	<ul style="list-style-type: none"> ■ debt service reserve of at least six months of debt service; ■ for distributions, the loan life coverage ratio in excess of 1.2:1.0; and ■ for distributions, the debt service cover ratio in excess of 1.15:1.0
Shuaibah IWPP / SWEC	4,542,244	<p>January 15, 2026 for (i) syndicated commercial facilities and (ii) Islamic facility.</p> <p>July 15, 2023 for (i) K- EXIM facility and (ii) Hermes covered syndicated facility</p>	<ul style="list-style-type: none"> ■ debt service reserve of at least six months of debt service; ■ for distributions, the loan life coverage ratio exceeds 1.2:1.0; and ■ for distributions, the debt service cover ratio exceeds 1.15:1.0
Marafiq IWPP / JWAP	8,295,789 ⁽¹⁾	<p>March 31, 2029 for (i) international facilities, (ii) Liabilities Reserve Account (LRA) facility and Islamic facility (Wakala-Ijara).</p> <p>March 31, 2024 for KEIC covered facility</p>	<ul style="list-style-type: none"> ■ debt service reserve of at least six months of debt service; ■ if the operation and maintenance agreement and the long-term parts and repair agreement are not in full force and effect, maintenance service reserve to be calculated according to the number of accumulated factored fired hours; and ■ for distributions, debt service cover ratio of at least 1.125:1.0
Shuqaiq IWPP / SQWEC	4,225,329 ⁽²⁾	<p>Syndicated commercial short-term facility: May 31, 2017</p> <p>Syndicated junior facility: May 31, 2021; and</p> <p>Syndicated commercial long-term and Islamic facilities: May 31, 2029</p>	<ul style="list-style-type: none"> ■ for distributions, senior loan life cover ratio of at least 1.15:1.0; ■ for distributions, senior debt service cover ratio of at least 1.20:1.0; ■ for distributions before repayment in full of all indebtedness made under the junior facility: (i) junior loan life cover ratio of at least 1.10:1.0; and (ii) junior debt service cover ratio of at least 1.15:1.0; ■ cash reserves with respect to debt service must be in place in the amount (i) with respect to the senior facilities, the next six months of debt service until the 17th repayment date and the next 12 months of debt service thereafter, in each case with respect to the liabilities under the senior facilities; and (ii) with respect to the junior facility, the next 12 months of debt service under the junior facility; and ■ a cash reserve with respect to principal repayments due on the junior facility
Rabigh IPP / RABEC	6,475,849	<p>April 1, 2029 for commercial facility.</p> <p>April 1, 2029 for (i) procurement facility and (ii) Wakala Ijara facility.</p>	<ul style="list-style-type: none"> ■ until the date falling five years before the final maturity date, debt service reserve of at least six months, thereafter but on or before the date falling four years before the final maturity date, debt service reserve of at least eight months, thereafter but on or before the date falling three years before the final maturity date, debt service reserve of at least 10 months, thereafter but on or before the date falling three years before the final maturity date, debt service reserve of at least twelve months; and ■ for distributions, debt service cover ratio of at least 1.15:1.0

PROJECT / PROJECT COMPANY	AMOUNTS		DISTRIBUTION COVENANTS
	OUTSTANDING AS OF DECEMBER 31, 2016	FINAL MATURITY	
	(in SAR thousand)		
Qurayyah IPP / HEPCO	6,838,057 ⁽³⁾	December 31, 2033 for (i) Islamic facility, (ii) commercial facility, (iii) KEXIM direct facility and (iv) KEXIM covered facility. June 30, 2028 for (i) U.S. EXIM facility and (ii) Hermes covered facility	<ul style="list-style-type: none"> ■ debt service reserve of at least six months of debt service; ■ as of 2025, a reserve to cover future balloon repayments; ■ for distributions, debt service cover ratio of at least 1.125:1.0, stepping down to at least 1.10:1 in 2027; and ■ appropriate cash reserves in relation to any disputed amounts under the Qurayyah PPA
Bowarege IWP	51,226 ⁽⁴⁾	June 27, 2017	<ul style="list-style-type: none"> ■ the proposed distribution must not result in the aggregate of all dividends and distributions per financial year, exceeding (1) 25% of paid in capital of Bowarege at the end of the preceding financial year or (2) the total prepayments of the loan made by Bowarege to the lender during that financial year.
RAWEC IWSP	5,857,162 ⁽⁵⁾	Term loans: June 30, 2031 Subordinated loans: May 27, 2019	There are no distribution covenants

Notes:

- (1) Includes shareholders' loan in the amount of SAR 363.5 million.
(2) Includes short-term working capital facility in the amount of SAR 45.0 million.
(3) Includes a subordinated advance in the amount of SAR 53.7 million.
(4) This amount is net of deferred cost. Includes SAR 15 million short-term loan.
(5) Includes subordinated loans in the amount of SAR 416.8 million and short-term loans in the amount of SAR 809.6 million.

Except as set forth below, the Project Companies have not entered into any further financing arrangements nor have amended or renewed any of their existing financing arrangements since December 31, 2016:

- SEPCO's SAR 12,187,500 working capital facility with Arab National Bank has been renewed with a new bank (Alawwal Bank). This renewed working capital facility has a tenor of one year and is due in February 2018;
- SWEC's SAR 93,750,000 working capital facility with Arab National Bank has been renewed with a new bank (Alawwal Bank) and the amount made available to SWEC under this new working capital facility has been increased to SAR 180,000,000. This facility has a tenor of one year and is due in February 2018.
- RABEC's SAR 131,250,000 working capital facility with the Saudi Arabian British Bank was renewed on January 4, 2017 and the final maturity date on this facility is now January 31, 2018.
- On March 29, 2017, HEPCO entered into a facility agreement with Gulf International Bank B.S.C. (Riyadh Branch) with respect to a working capital facility in the amount of up to US\$40 million (SAR 150 million). The termination date of the facility is June 27, 2017.
- On February 16, 2017, RAWEC entered into an equity bridge loan facility with a tenor of one year. The facility consists of (i) a term loan facility (base equity facility A) in the amount of US\$38.8 million to be provided by Mizuho Bank Ltd., (ii) a term loan facility (base equity facility B) in the amount of US\$38.8 million to be provided by The Bank of Tokyo Mitsubishi UFJ, Ltd., (iii) a revolving loan facility (customs duties facility A) in the amount of US\$1.2 million to be provided by Mizuho Bank Ltd. and (iv) a revolving loan facility (customs duties facility B) in the amount of US\$1.2 million to be provided by The Bank of Tokyo Mitsubishi UFJ, Ltd. Marubeni Corporation acts as the facility A sponsor guarantor and the facility B sponsor guarantor. The purpose of the equity bridge loan facility is to provide an equity bridge loan to RAWEC to reimburse amounts paid by RAWEC to fund the development, construction and operation of the RAWEC Phase II Facilities.

Shuaibah Expansion IWP / SEPCO

SEPCO entered into a common terms agreement with certain financial institutions on July 15, 2007 (the “**SEPCO CTA**”), as well as related financing documents (together, the “**SEPCO Finance Documents**”). The SEPCO CTA provides the framework governing a number of separately documented financing facilities set forth in the table below that were obtained for the purposes of financing the SEPCO IWP.

The SEPCO Finance Documents contain provisions that operate to restrict the ability of SEPCO to make distributions unless certain criteria have been satisfied. In order for SEPCO to pay dividends and/or make other similar distributions, the following conditions must be satisfied:

- if the relevant repayment date is not a calculation date, the first calculation date falling after that repayment date must have occurred;
- the withdrawal is consistent with the order of priority set out in the SEPCO CTA which provides *inter alia* for project costs and debt service to be paid before any distribution is made;
- no actual or potential event of default has occurred under the SEPCO Finance Documents and is then continuing or would result from the making of such distribution;
- a reserve equal to not less than six months of debt service is in place;
- the then current Project forecast was prepared as of that repayment date;
- the ratio of (A) the net present value of forecast available cash flow (plus certain cash reserves); and (B) the aggregate principal amounts outstanding under the facilities (excluding revolving facilities) (the “**loan life coverage ratio**”) exceeds 1.2:1.0;
- the debt service cover ratio exceeds 1.15:1.0;
- the amount to be withdrawn is available in the offshore operating account at the close of business in New York or in the onshore operating account at the close of business in Riyadh on that repayment date; and
- the proposed withdrawal date for the distribution falls on or no later than 30 days after the next scheduled repayment date.

If the conditions are satisfied on the withdrawal date, the offshore and onshore account banks will be required to make payment of the distribution amount.

The events of default contained in the SEPCO CTA that are common to all seven common terms agreements to which SEPCO, SWEC, JWAP, SQWEC, RABEC and HEPCO are parties are described in “—*Events of Default under Project Companies’ Common Terms Agreements.*”

In addition, the SEPCO CTA contains additional events of default relating to the following:

- suspension, cancellation, revocation, forfeiture, surrender or termination of the offtaker credit support;
- failure of the senior debt to rank at least *pari passu* with the unsecured and unsubordinated debt;
- abandonment; and
- failure by SEHCO to comply with its undertakings to the lenders.

The financial covenants under the SEPCO Finance Documents include a requirement that SEPCO must maintain:

- a debt service cover ratio of no less than 1.05:1.0; and
- a loan life cover ratio of no less than 1.1:1.0.

The SEPCO CTA contains an undertaking by SEPCO that it will enter into interest rate hedging arrangements in connection with its obligations under the SEPCO Finance Documents to hedge at least 75% of the aggregate amount of such facilities forecast to be outstanding until the date falling five years before the scheduled final repayment date for such facilities.

The obligations of SEPCO under the SEPCO CTA are secured against substantially all assets of SEPCO.

These financing facilities, including a working capital facility, are also secured by promissory notes from shareholders for the amounts drawn down. There have been no drawdowns of the working capital facility.

SEPCO entered into a Master Murabaha Agreement with Arab National Bank on January 26, 2016 in the amount of SAR 12,187,500 (the “**SEPCO Master Murabaha Agreement**”). Under this agreement, Arab National Bank was required to purchase the Islamic law compliant commodities from a supplier and then sell them to SEPCO each time with a murabaha contract. The profit amount in relation to each murabaha contract is pre-agreed and adjusted for any increased costs in the immediately preceding profit period. SEPCO was required not declare or pay any dividend

or make any other income distribution to its shareholders in case of an Event of Default or a Prospective Event of Default (as defined under the SEPCO Master Murabaha Agreement). The final maturity date was January 26, 2017. This working capital facility has been renewed with Alawwal Bank with a tenor of one year and is due in February 2018.

The following table sets out certain information on SEPCO's long-term financing arrangements under the SEPCO CTA.

<u>FACILITY TYPE</u>	<u>LOAN MATURITY DATE</u>	<u>OUTSTANDING LOAN BALANCE AS OF DECEMBER 31, 2016</u>
		(in SAR thousand)
Syndicated commercial facility	February 28, 2027	264,045
Islamic facility	February 28, 2027	222,878
		486,923
Less: unamortized upfront charges		(4,675)
		482,248
Current portion		33,229
Long term portion		449,019

Note: SEPCO repaid the equity bridge facility that matured in August 2014 through a share capital increase.

The following table sets out information on (i) DSCR as reported by SEPCO and accepted by the lenders and (ii) DSCR test level for distributions.

<u>PERIOD</u>	<u>DSCR AS REPORTED AND ACCEPTED</u>	<u>DSCR TEST LEVEL FOR DISTRIBUTIONS</u>
August 31, 2013 to February 28, 2014	1.30	1.15:1
February 28, 2014 to August 31, 2014	1.24	1.15:1
August 31, 2014 to February 28, 2015	1.47	1.15:1
February 28, 2015 to August 31, 2015	1.36	1.15:1
August 31, 2015 to February 28, 2016	1.33	1.15:1
February 29, 2016 to August 31, 2016	1.31	1.15:1
August 31, 2016 to February 28, 2017	1.31	1.15:1

Shuaibah IWPP / SWEC

SWEC entered into a common terms agreement with certain financial institutions on December 21, 2005 (as amended on August 1, 2006, the "SWEC CTA"), as well as related financing documents (together, the "SWEC Finance Documents"). The SWEC CTA provides the framework governing a number of financing facilities (see the table below) that were obtained for the purposes of financing the SWEC IWPP.

The SWEC Finance Documents contain provisions that operate to restrict the ability of SWEC to make distributions unless certain criteria have been satisfied. In order for SWEC to pay dividends and/or make other similar distributions, the following conditions must be satisfied:

- if the relevant repayment date is not a calculation date, the first calculation date falling after that repayment date must have occurred;
- the withdrawal is consistent with the order of priority set out in the SWEC CTA which provides *inter alia* for project costs and debt service to be paid before any distribution is made;
- no actual or potential event of default has occurred under the SWEC Finance Documents and is then continuing or would result from the making of such distribution;
- a reserve equal to not less than six months of debt service is in place;
- the then current Project forecast was prepared as of that repayment date;
- the loan life coverage ratio exceeds 1.2:1.0;
- the debt service coverage ratio exceeds 1.15:1.0;
- the amount to be withdrawn was available in the offshore operating account at the close of business in New York or in the onshore operating account at the close of business in Riyadh on that repayment date and
- the proposed withdrawal date for the distribution falls on or no later than 30 days after the next scheduled repayment date.

If the conditions are satisfied on the withdrawal date, the offshore and onshore account banks will be required to make payment of the distribution amount.

The events of default contained in the SWEC CTA that are common to all six common terms agreements to which SEPCO, SWEC, JWAP, SQWEC, RABEC and HEPCO are parties are described in “—Events of Default under Project Companies’ Common Terms Agreements.”

In addition, the SWEC CTA contains additional events of default relating to the following:

- suspension, cancellation, revocation, forfeiture, surrender or termination of the offtaker credit support;
- failure of the senior debt to rank at least *pari passu* with the unsecured and unsubordinated debt; and
- abandonment.

Furthermore, the SWEC CTA contains an additional event of default relating to circumstances where PIF has not either pledged to the lenders its shares in SWEC and also has not transferred its shares in SWEC to a wholly owned subsidiary, which has then pledged these shares to the lenders by the scheduled Project’s commercial operation date, and, in these circumstances, has then not bought out any lenders who no longer wish to finance the relevant Project.

The financial covenants under the SWEC Finance Documents include a requirement that SWEC must maintain:

- a debt service coverage ratio of no less than 1.05:1.0; and
- a loan life cover ratio of no less than 1.1:1.0.

The SWEC CTA contains an undertaking by SWEC that it will enter into interest rate hedging arrangements in connection with its obligations under the SWEC Finance Documents:

- in respect of the senior facilities, to hedge 75% of the aggregate amount of such facilities forecast to be outstanding until the date falling five years before the scheduled final repayment date for such facilities; and
- in respect of the standby facility, to hedge 75% of the aggregate amount of such facilities forecast to be outstanding until the date falling five years before the scheduled final repayment date for such facilities.

The obligations of SWEC under the SWEC CTA are secured against substantially all assets of SWEC.

The financing facilities are also secured by promissory notes from shareholders for the amounts drawn down.

The financing agreements entered into by SWEC allow it to procure a working capital facility to manage its working capital needs. SWEC signed a Master Murabaha Agreement with Arab National Bank on January 3, 2016 in the amount of SAR93,750,000 (the “**SWEC Master Murabaha Agreement**”). Under this agreement, Arab National Bank was required to purchase the Islamic law-compliant commodities from a supplier and then sell them to SWEC each time with a murabaha contract. The profit amount in relation to each murabaha contract is pre agreed and adjusted for any increased costs in the immediately preceding profit period. SWEC was required not declare or pay any dividend or make any other income distribution to its shareholders in case of an Event of Default or a Prospective Event of Default (as defined under the SWEC Master Murabaha Agreement). The final maturity date was January 3, 2017. This working capital facility has been renewed with Alawal Bank and the amount made available to SWEC under this new working capital facility has been increased to SAR 180,000,000. This facility has a tenor of one year and is due in February 2018.

The following table sets out certain information on SWEC’s long-term financing arrangements under the SWEC CTA.

<u>FACILITY TYPE</u>	<u>LOAN MATURITY DATE</u>	<u>OUTSTANDING LOAN BALANCE AS OF DECEMBER 31, 2016</u>
		(in SAR thousand)
Syndicated facility	January 15, 2026	2,559,375
K-Exim facility	July 15, 2023	853,125
Hermes covered syndicated facility	July 15, 2023	743,230
Islamic facility	January 15, 2026	514,462
		4,670,192
Less: unamortized upfront charges		(127,948)
		4,542,244
Less: Current portion		422,971
Long term portion		4,119,273

The following table sets out information on (i) DSCR as reported by SWEC and accepted by the lenders and (ii) DSCR test level for distributions.

<u>PERIOD</u>	<u>DSCR AS REPORTED AND ACCEPTED</u>	<u>DSCR TEST LEVEL FOR DISTRIBUTIONS</u>
July 15, 2013 to January 15, 2014	1.28	1.15:1
January 15, 2014 to July 15, 2014	1.21	1.15:1
July 15, 2014 to January 15, 2015	1.37	1.15:1
January 15, 2015 to July 15, 2015	1.41	1.15:1
July 15, 2015 to January 15, 2016	1.22	1.15:1
January 15, 2016 to July 15, 2016	1.20	1.15:1
July 15, 2016 to January 15, 2017	1.42	1.15:1

Marafiq IWPP / JWAP

JWAP entered into a common terms agreement with certain financial institutions on May 14, 2007 (as supplemented on September 5, 2012, the “**Marafiq CTA**”), as well as related financing documents (together, the “**Marafiq Finance Documents**”). The Marafiq CTA provides the framework governing a number of separately documented financing facilities (see the table below) that were obtained for the purposes of financing the Marafiq IWPP.

The Marafiq Finance Documents contain provisions that operate to restrict the ability of JWAP to make distributions unless certain criteria have been satisfied. In order for JWAP to pay dividends and/or make other similar distributions, the following conditions must be satisfied:

- completion of the Project must have occurred;
- the first repayment date must have occurred and all amounts due and payable on such date with respect to the facilities must have been paid;
- no actual or potential event of default has occurred under the Marafiq Finance Documents and is then continuing or would result from the making of such distribution;
- a reserve equal to not less than six months of debt service is in place;
- if the operation and maintenance agreement and the long-term parts and repair agreement are not in full force and effect, a maintenance service reserve to be in place, which is to be calculated according to, among other things, the number of accumulated factored fired hours and the value of parts supplied and/or services and/or repairs performed since the last general inspection of the gas turbines;
- (except on the final maturity date) the debt service cover ratio is at least 1.125:1.0 for the relevant calculation period;
- with respect to any transfer following the end date of KEIC covered facility, the forecast debt service coverage ratio for each calculation period following such date is at least 1.125:1;
- any such distribution is limited to the amount of funds credited to the operating revenues accounts on such repayment date after giving effect to all payments and transfers that are to be made on such repayment date in accordance with the relevant provisions of the CTA; and
- the DSCR is at least 1.125:1.0 for the relevant calculation period.

The events of default contained in the Marafiq CTA that are common to all six common terms agreements to which SEPCO, SWEC, JWAP, SQWEC, RABEC and HEPCO are parties are described in “—*Events of Default under Project Companies’ Common Terms Agreements.*”

In addition, the Marafiq CTA contains additional events of default relating to the following:

- misrepresentations made by equity obligors and failures by equity obligors to comply with their obligations under the finance documents;
- failures by any material Project participant to comply with the standstill or suspension obligations in a direct agreement;
- the engineering, procurement and construction contract guarantees and/or operation and maintenance agreement guarantees cease to be in place when required; and
- suspension, cancellation, revocation, forfeiture, surrender or termination of the offtaker credit support.

The financial covenants under the Marafiq Finance Documents include a requirement that JWAP must maintain a debt service cover ratio of no less than 1.05:1.

The Marafiq CTA contains an undertaking by JWAP that it will enter into interest rate hedging arrangements in connection with its obligations under the Marafiq Finance Documents in respect of the senior facilities, (i) at financial close, for at least 80% of the aggregate amount of the senior facilities (excluding the Islamic Facility) at all times prior to and until the Scheduled Project Commercial Operation Date (“**SCOD**”); (ii) at financial close, for at least 75% of the aggregate amount of the senior facilities at all times for the period commencing on the day following SCOD and ending on the 10th anniversary of SCOD; (iii) at the end of the 9th year following SCOD, for at least 60% of the aggregate amount of the senior facilities at all times for the period commencing on the 11th anniversary of SCOD and ending on the 12th anniversary of SCOD at a rate; (iv) at the end of the 11th year following SCOD, for at least 50% of the aggregate amount of the senior facilities at all times for the period commencing on the 13th anniversary of SCOD and ending on the 14th anniversary of SCOD; and (v) at the end of the 13th year following SCOD, for at least 30% of the aggregate amount of the senior facilities at all times for the period commencing on the 15th anniversary of SCOD and ending at such time as all loans have been repaid under the senior facilities.

The security for the financing facilities includes charges over JWAP’s assets (including plant and bank accounts) and key Project contracts.

The obligations of JWAP under the Marafiq CTA are secured against substantially all assets of JWAP.

The financing agreements entered into by JWAP allow it to procure a working capital facility to manage its working capital needs. JWAP signed a SAR 100 million working capital facility with SAMBA in 2014.

Under a working capital facility agreement dated September 14, 2014, BNP Paribas, Saudi Arabia Branch, made available a SAR 100,000,000 working capital facility to JWAP, subject to decrease in the amount at the sole discretion of the bank. The working capital facility was to be used for the general working capital requirements of JWAP. JWAP drew down on the BNP Paribas facility for an amount of SAR 100 million, which was repaid during the year. As of December 31, 2015 no amount was outstanding under this facility. This working capital facility with BNP Paribas has been renewed for another year and the final maturity date of this facility is now in September 2017.

The following table sets out certain information on JWAP’s long-term financing arrangements under the Marafiq CTA.

<u>FACILITY TYPE</u>	<u>LOAN MATURITY DATE</u>	<u>OUTSTANDING LOAN BALANCE AS OF DECEMBER 31, 2016</u>
		(in SAR thousand)
International facility	March 31, 2029	4,869,464
KEIC covered facility	March 31, 2024	1,295,768
Islamic facility	March 31, 2029	1,914,597
		8,079,829
Less: upfront debt acquisition and arrangement fee (net)		(147,540)
		7,932,289
Less: Current portion		(436,457)
Long term portion		7,495,832

The following table sets out information on (i) DSCR as reported by JWAP and accepted by the lenders and (ii) DSCR test level for distributions.

<u>PERIOD</u>	<u>DSCR AS REPORTED AND ACCEPTED</u>	<u>DSCR TEST LEVEL FOR DISTRIBUTIONS</u>
March 31, 2013 to March 31, 2014	n/a	1.125:1
September 30, 2013 to September 30, 2014	1.20	1.125:1
March 31, 2014 to March 31, 2015	1.27	1.125:1
September 30, 2014 to September 30, 2015	1.30	1.125:1
March 31, 2015 to March 31, 2016	1.28	1.125:1
September 30, 2015 to September 30, 2016	1.27	1.125:1

Shuqaiq IWPP / SQWEC

SQWEC entered into a common terms agreement with certain financial institutions on February 27, 2007 (as amended on March 25, 2012, the “**SQWEC CTA**”), as well as related financing documents (together, the “**SQWEC Finance Documents**”). The SQWEC CTA provides the framework governing a number of separately documented financing facilities, including, a syndicated commercial long-term facility, a syndicated commercial short-term facility, an Islamic syndicated facility and a syndicated junior facility, all of which were obtained for the purposes of financing the Shuqaiq IWPP.

The SQWEC Finance Documents contain provisions that operate to restrict the ability of SQWEC to make distributions unless certain criteria have been satisfied. In order for SQWEC to pay dividends and/or make other similar distributions, the following conditions must be satisfied:

- no actual or potential event of default has occurred under the SQWEC Finance Documents and is then continuing or would result from the making of such distribution;
- Project’s commercial operation date must have occurred;
- the senior loan life cover ratio is at least 1.20:1.0 for the relevant calculation period;
- the senior debt service cover ratio is at least 1.15:1.0 for the relevant calculation period;
- before repayment in full of all indebtedness made under the syndicated junior facility:
 - (i) the junior loan life cover ratio is at least 1.10:1.0 for the relevant calculation period; and
 - (ii) the junior debt service coverage ratio is at least 1.10:1.0 for the relevant calculation period; and
- certain cash reserves with respect to debt service must be maintained in the amount equal to
 - (i) with respect to the senior facilities, the next six months of debt service until the 17th repayment date and the next 12 months of debt service thereafter, in each case with respect to the liabilities under the senior facilities;
 - (ii) with respect to the junior facility, the next 12 months of debt service under the junior facility; and
 - (iii) a cash reserve with respect to principal repayments due on the junior facility.

The events of default contained in the SQWEC CTA that are common to all six common terms agreements to which SEPCO, SWEC, JWAP, SQWEC, RABEC and HEPCO are parties are described in “—*Events of Default under Project Companies’ Common Terms Agreements.*”

In addition, the SQWEC CTA contains additional events of default relating to the following:

- suspension, cancellation, revocation, forfeiture, surrender or termination of the offtaker credit support;
- failure of the senior debt to rank at least *pari passu* with the unsecured and unsubordinated debt; and
- abandonment.

Furthermore, the SQWEC CTA contains an additional event of default relating to circumstances where PIF has not either pledged to the lenders its shares in SQWEC and also has not transferred its shares in SQWEC to a wholly-owned subsidiary, which has then pledged these shares to the lenders by the scheduled Project’s commercial operation date, and, in these circumstances, has then not bought out any lenders who no longer wish to finance the relevant Project.

The financial covenants under the SQWEC Finance Documents include a requirement that SQWEC must maintain:

- a senior and junior debt service coverage ratio of no less than 1.05:1; and
- a senior and junior loan life cover ratio of no less than 1.1:1.0.

The SQWEC CTA contains an undertaking by SQWEC that it will enter into certain interest rate hedging arrangements in connection with its obligations under the SQWEC Finance Documents:

- with respect to the senior facilities, to hedge 75% of the aggregate amount of such facilities forecast to be outstanding until the date falling five years before the scheduled final repayment date for such facilities; and
- with respect to the junior facility, to hedge at least 75% of the amount of such facility forecast to be outstanding until it is repaid in full (such hedging to be put in place incrementally, when the aggregate amounts of junior debt that have been drawn are US\$20,000,000, US\$40,000,000 and US\$60,000,000, respectively).

The obligations of SQWEC under the SQWEC CTA are secured against substantially all assets of SQWEC.

The SQWEC CTA requires SQWEC to enter into a working capital facility to manage its working capital needs. On August 31, 2016, SQWEC entered into an agreement with SAMBA with respect to the short-term working capital facility in the amount of SAR 90,000,000. The pricing of the facility is SIBOR +1.5% per annum with a tenor of 12 months.

The following table sets out certain information on SQWEC's financing arrangements under the SQWEC CTA and the working capital facility referred to above.

FACILITY TYPE	LOAN MATURITY DATE / EXPIRATION DATE	OUTSTANDING LOAN BALANCE ⁽¹⁾ AS OF DECEMBER 31, 2016
		(in SAR thousand)
Syndicated commercial long-term facility	May 31, 2029	3,423,961
Syndicated commercial short-term facility	May 31, 2017	79,707
Islamic syndicated facility	May 31, 2029	484,739
Junior facility	May 31, 2021	191,922
Working capital facility ⁽²⁾		45,000
		4,225,329
Less: Current portion of long-term and short-term financing		(250,714)
Working capital facility		(45,000)
		<u>3,929,615</u>

Notes:

⁽¹⁾ Net of related unamortized upfront charges (including commitment fees) amounting to SAR 66 million as of December 31, 2016.

⁽²⁾ The working capital facility has an overall commitment of SAR 90,000,000.

The following table sets out information on (i) DSCR as reported by SQWEC and accepted by the lenders and (ii) DSCR test level for distributions.

PERIOD	DSCR AS REPORTED AND ACCEPTED	DSCR TEST LEVEL FOR DISTRIBUTIONS ⁽¹⁾
November 30, 2013 to May 31, 2014	1.17	1.15:1
May 31, 2014 to November 30, 2014	1.26	1.15:1
November 30, 2014 to May 31, 2015	1.24	1.15:1
May 31, 2015 to November 30, 2015	1.24	1.15:1
November 30, 2015 to May 31, 2016	1.32	1.15:1
May 31, 2016 to November 30, 2016	1.31	1.15:1

Note:

⁽¹⁾ DSCR with respect to the senior facility. DSCR for the junior facility is 1.10:1.

Rabigh IPP / RABEC

RABEC entered into a common terms agreement with certain financial institutions on July 28, 2009 (as amended on August 11, 2009 and June 22, 2016, the "Rabigh CTA"), as well as related financing documents (together, the "Rabigh Finance Documents"). The Rabigh CTA provides the framework governing a number of separately documented financing facilities, including a term loan commercial facility and Islamic facilities, that were obtained for the purposes of financing the Rabigh IPP and were recently refinanced by RABEC.

In June 2016, RABEC, the Project Company for the Rabigh IPP, refinanced US\$1,706 million of existing senior debt with US\$1,828 million of new debt under the Rabigh CTA. The existing long-term senior facilities were refinanced by the following facilities provided under the framework set forth in the Rabigh CTA, as amended on the date of the refinancing:

- a U.S. dollar-denominated international tranche in the amount of US\$312 million provided by a group of Korean insurance companies (including Samsung Life and Hyundai Power Private Special Asset Unit Trust 2) and international commercial banks (Natixis, MUGF, CA-CIB and Standard Chartered Bank); and
- Islamic facilities consisting of a Saudi riyal-denominated Wakala Ijara tranche in the amount of SAR 3,205 million provided by Alinma Bank and Al Rajhi Bank and a Saudi riyal-denominated procurement tranche in the amount of SAR 2,479 million provided by The National Commercial Bank, Banque Saudi Fransi, Arab National Bank, Samba Financial Group and The Saudi Arabian British Bank (SABB).

The Rabigh Finance Documents contain provisions that operate to restrict the ability of RABEC to make distributions unless certain criteria have been satisfied. In order for RABEC to pay dividends and/or make other similar distributions, the following conditions must be satisfied:

- completion of the Project must have occurred;
- no actual or potential event of default has occurred under the Rabigh Finance Documents and is then continuing or would result from the making of such distribution;
- a debt service reserve is in place in the following amounts: (i) until the date falling five years before the final maturity date, equal to not less than six months of debt service, (ii) thereafter but on or before the date falling four years before the final maturity date, at least eight months of debt service, (iii) thereafter but on or before the date falling three years before the final maturity date, at least 10 months of debt service and (iv) thereafter but on or before the date falling three years before the final maturity date, at least 12 months of debt service; and
- the debt service coverage ratio is at least 1.15:1.0 for the relevant calculation period.

The events of default contained in the Rabigh CTA that are common to all six common terms agreements to which SEPCO, SWEC, JWAP, SQWEC, RABEC and HEPCO are parties are described in “—*Events of Default under Project Companies’ Common Terms Agreements.*”

In addition, the Rabigh CTA contains additional events of default relating to the following:

- misrepresentations made by equity obligors and failures by equity obligors to comply with their obligations under the finance documents;
- failures by any material Project participant to comply with the standstill or suspension obligations in a direct agreement;
- the engineering, procurement and construction contract guarantees and/or operation and maintenance agreement guarantees cease to be in place when required; and
- on the repayment date falling on April 1, 2020 and for each repayment date thereafter RABEC procures each Letter of Credit (Balloon Repayment) and, as applicable, each Guarantee (Balloon Repayment) in accordance with the amounts set out in schedule 5 of the KEIC Covered Facility Agreement, schedule 6 of the Specified Lease Agreement and schedule 6 of the Forward Lease Agreement, as applicable.

The financial covenants under the Rabigh Finance Documents include a requirement that RABEC must maintain a debt service coverage ratio of no less than 1.05:1.

The Rabigh CTA contains an undertaking by RABEC that it will enter into interest rate hedging arrangements in connection with its obligations under the Rabigh Finance Documents:

- with respect to Islamic facilities, (i) to hedge at least 100% of the aggregate repayments under the procurement agreement until the scheduled Project’s commercial operations date, (ii) from the scheduled Project’s commercial operations date until the twelfth repayment—67% of the sum of the specified lease base amount and the procurement facility hedging balance, (iii) from the twelfth repayment date until the twenty second repayment date—65% of the sum of the specified lease base amount and the procurement facility hedging balance, and (iv) from the twenty-second repayment date—50% of the sum of the specified lease base amount and the procurement facility hedging balance; and
- with respect to the commercial facility, to hedge at least 100% of the forecast maximum commercial debt from the financial close until the 22nd repayment date, at least 50% of the forecast maximum commercial debt from the 22nd repayment date until the step-up date, being the 14th repayment date after June 22, 2016.

The obligations of RABEC under the Rabigh CTA are secured against substantially all assets of RABEC.

The financing agreements entered into by RABEC allow it to procure a working capital facility to manage its working capital needs. RABEC signed a Working Capital Facility Agreement dated December 25, 2013 with the Saudi Arabian British Bank for a SAR 131,250,000 working capital facility. RABEC may select an interest period of one, two, three or six months or any other period as agreed with the Saudi Arabian British Bank. This working capital facility with Saudi Arabian British Bank was renewed on January 4, 2017 and the final maturity date of this facility is now January 31, 2018.

The following table sets out certain information on RABEC's long-term financing arrangements under the Rabigh CTA as of December 31, 2016.

<u>FACILITY TYPE</u>	<u>LOAN MATURITY DATE</u>	<u>OUTSTANDING LOAN BALANCE AS OF DECEMBER 31, 2016</u>
		(in SAR thousand)
Wakala Ijara facility	September 30, 2032	3,164,576
Procurement facility (Islamic)	September 30, 2032	2,446,061
Commercial facility (formerly known as Korea Export Insurance Corporation facility)	March 31, 2033	1,156,708
Working capital facility ⁽²⁾	January 31, 2018	—
		<u>6,767,345</u>
Less: unamortized portion of upfront and other fees ⁽¹⁾		(291,496)
		<u>6,475,849</u>
Less: current portion of term financing		(279,233)
Less: working capital facility		—
		<u>6,196,616</u>

Notes:

⁽¹⁾ Upfront fees are amortized over the tenure of the respective loan on an effective yield basis.

⁽²⁾ The working capital facility is provided by Saudi Arabian British Bank and has an overall commitment of SAR 131,250,000.

The following table sets out information on (i) DSCR as reported by RABEC and accepted by the lenders and (ii) DSCR test level for distributions.

<u>PERIOD</u>	<u>DSCR AS REPORTED AND ACCEPTED</u>	<u>DSCR TEST LEVEL FOR DISTRIBUTIONS</u>
April 1, 2013 to March 31, 2014	1.24	1.15:1
October 1, 2013 to October 1, 2014	1.18	1.15:1
April 1, 2014 to April 1, 2015	1.30	1.15:1
October 1, 2014 to October 1, 2015	1.29	1.15:1
April 1, 2015 to April 1, 2016	1.17	1.15:1
October 1, 2015 to September 30, 2016	1.26	1.15:1

Qurayyah IPP / HEPCO

HEPCO entered into a common terms agreement with certain financial institutions on December 2, 2011 (as amended on April 18, 2012, the “**Qurayyah CTA**”), as well as related financing documents (together, the “**Qurayyah Finance Documents**”). The Qurayyah CTA provides the framework governing a number of separately documented financing facilities (see the table below) that were obtained for the purposes of financing the Qurayyah IPP.

The Qurayyah Finance Documents contain provisions that operate to restrict the ability of HEPCO to make distributions unless certain criteria have been satisfied. In order for HEPCO to pay dividends and/or make other similar distributions, the following conditions must be satisfied:

- completion of the Project must have occurred;
- the first repayment date must have occurred and all amounts due and payable on such date with respect to the facilities must have been paid;
- no actual or potential event of default has occurred under the Qurayyah Finance Documents and is then continuing or would result from the making of such distribution;
- a reserve equal to not less than six months of debt service is in place;
- starting in 2025, a reserve to cover future balloon repayments to be made under the Qurayyah Finance Documents must be in place;
- the debt service coverage ratio is at least 1.125:1.0 for the relevant calculation period, stepping down to at least 1.10:1 in 2027; and
- appropriate cash reserves have been retained in relation to any disputed amounts under the Qurayyah PPA.

The events of default contained in the Qurayyah CTA that are common to all six common terms agreements to which SEPCO, SWEC, JWAP, SQWEC, RABEC and HEPCO are parties are described in “—*Events of Default under Project Companies' Common Terms Agreements.*”

In addition, the Qurayyah CTA contains additional events of default relating to the following:

- misrepresentations made by equity obligors and failures by equity obligors to comply with their obligations under the finance documents;
- failures by any material project participant to comply with the standstill or suspension obligations in a direct agreement; and
- the operation and maintenance agreement guarantees and/or the long term services agreement guarantees cease to be in place when required.

Furthermore, the Qurayyah CTA contains events of default specific to KEXIM and Hermes facilities relating to the following:

- Samsung C&T Corporation failing to comply with the share retention obligations imposed on it by KEXIM;
- breaches of the KEXIM social and environmental guidelines; and
- termination, withdrawal, cancellation or suspension or other issues relating to the guarantee provided by Hermes or KEXIM.

The financial covenants under the Qurayyah Finance Documents include a requirement that HEPCO must maintain a DSCR of no less than 1.05:1.

The Qurayyah CTA contains an undertaking by HEPCO that it will enter into interest rate hedging arrangements in connection with its obligations under the Qurayyah Finance Documents:

- in respect of facilities denominated in U.S. dollars, to hedge 95% of the aggregate amount of such facilities as of the scheduled Project's commercial operation date; and
- in respect of SAR-denominated Islamic facilities, to hedge at financial close at least 90% of the aggregate amount of such facilities until the second anniversary of the scheduled Project's commercial operation date, at least 85% from the fourth until the 16th semi-annual repayment date, at least 75% from the 16th until the 22nd semi-annual repayment date and at least 65% from the 22nd semi-annual repayment date until the final maturity.

The obligations of HEPCO under the Qurayyah CTA are secured against substantially all assets of HEPCO.

The financing agreements entered into by HEPCO allow it to procure a working capital facility to manage its working capital needs. On March 29, 2017, HEPCO entered into a facility agreement with Gulf International Bank B.S.C. (Riyadh Branch) with respect to a working capital facility in the amount of up to US\$40 million (SAR 150 million). The termination date of the facility is June 27, 2017.

The following table sets out certain information on HEPCO's long-term financing arrangements under the Qurayyah CTA.

<u>FACILITY TYPE</u>	<u>LOAN MATURITY DATE</u>	<u>OUTSTANDING LOAN BALANCE AS OF DECEMBER 31, 2016</u>
		(in SAR thousand)
Islamic facility	December 31, 2033	3,599,231
U.S. EXIM facility	June 30, 2028	1,687,976
Commercial facility	December 31, 2033	628,754
Hermes covered facility	June 30, 2028	395,812
KEXIM direct facility	December 31, 2033	326,319
KEXIM covered facility	December 31, 2033	266,957
		6,905,049
Less: unamortized portion of upfront and other fees ⁽¹⁾		(120,728)
		6,784,321
Less: current portion		(261,838)
		6,522,483

Note:

⁽¹⁾ These represent unamortized portion of bank and other fees, which have been paid by HEPCO to secure the availability of the loans. These fees are amortized over the tenure of the respective loan.

Bowarege IWP / Bowarege

Bowarege entered into a term loan agreement with the Saudi Industrial Development Fund (“SAIDF”) on March 6, 2010 (the “**Bowarege Loan Agreement**”). The term loan was provided by SAIDF for the purpose of financing the Bowarege IWP.

The Bowarege Loan Agreement contains provisions that operate to restrict the ability of Bowarege to make distributions unless certain criteria have been satisfied. In order for Bowarege to pay dividends and/or make other similar distributions, the following conditions must be satisfied:

- no actual or potential event of default has occurred under the Bowarege Loan Agreement and is then continuing;
- the first repayment date must have occurred;
- the proposed distribution must not result in the aggregate of all dividends and distributions per financial year, exceeding the lower of (i) 25% of paid in capital of Bowarege at the end of the preceding financial year and (ii) the total prepayments of the loan made by Bowarege to the lender during that financial year.

The financial covenants under the Bowarege Loan Agreement include the following:

- Bowarege must maintain a ratio of total liabilities to tangible net worth of no more than 3:1 throughout the life of the loan;
- Bowarege must maintain a working capital ratio of no less than 1:1 throughout the life of the loan;
- the aggregate of Bowarege’s obligations with respect to leases or rents may not exceed SAR 3 million per year;
- Bowarege’s capital expenditure may not exceed SAR 25 million per year and, in case the barges are relocated, SAR 50 million in any financial year; and
- dividends of Bowarege may not exceed the lesser of (i) 25% of paid in capital and (ii) the total repayments to be made to the lender.

The obligations of Bowarege under the Bowarege Loan Agreement are secured by a mortgage over Bowarege’s property, plant and equipment. An upfront appraisal fee was paid in advance for the loan. The loan matures on June 27, 2017.

RAWEC IWSP / RAWEC

RAWEC has obtained the following loans from affiliated companies:

- With respect to the RAWEC Phase I Facilities, a term loan was provided by one of the Saudi Arabian partners of RAWEC, of which SAR 1,910.5 million remained outstanding as of December 31, 2016. The loan is being repaid on a monthly basis starting from June 30, 2008, with the final installment due on November 30, 2023. The loan is secured by a charge over all the assets of RAWEC.
- With respect to the RAWEC Phase II Facilities, one of the Saudi Arabian partners of RAWEC has provided a term loan to RAWEC, of which SAR 2,720.3 million was outstanding as of December 31, 2016. The loan is being repaid on a monthly basis starting from July 31, 2016, with the final installment due on June 30, 2031. The loan is secured by a charge over the RAWEC Phase II Facilities.

The following table sets out certain information on RAWEC’s term loans.

<u>FACILITY TYPE</u>	<u>LOAN MATURITY DATE</u>	<u>OUTSTANDING LOAN BALANCE AS OF DECEMBER 31, 2016</u>
		(in SAR thousand)
Term loan with respect to RAWEC Phase I Facilities	November 30, 2023	1,910,508
Term loans with respect to RAWEC Phase II Facilities . . .	June 30, 2031	2,720,264
		4,630,772
Less: current portion		(373,135)
		<u>4,257,637</u>

The following table sets out certain information of RAWEC's short-term notes.

<u>LENDER</u>	<u>OUTSTANDING LOAN BALANCE AS OF DECEMBER 31, 2016</u>
	(in SAR thousand)
APP ⁽¹⁾	299,557
Marubeni Corporation ⁽¹⁾	299,557
JGC Corporation ⁽¹⁾	202,403
Petro-Rabigh ⁽²⁾	8,071
	<u>809,588</u>

Notes:

- (1) In 2016, RAWEC has obtained a short-term loan amounting to SAR 801.5 million from certain of its shareholders. The short-term loan is unsecured and carries special commission at the rate of one month LIBOR plus 1.1%. The loan has been obtained as per the equity support agreement and is likely to be converted to equity during 2017.
- (2) In 2015, RAWEC had obtained a short-term loan amounting to SAR 8.1 million from one of its shareholders. The short term loan is unsecured and carries special commission at the rate of 0.5%. The loan has been obtained as per the equity support agreement and is likely to be converted to equity during 2017.

RAWEC also has subordinated loans in place, information on which is set out in the table below. These subordinated loans are unsecured and are payable in full on May 27, 2019. They carry interest at SAIBOR plus 1.7%, payable on semi-annual basis.

<u>LENDER</u>	<u>LOAN MATURITY DATE</u>	<u>OUTSTANDING LOAN BALANCE AS OF DECEMBER 31, 2016</u>
		(in SAR thousand)
JGC Corporation	May 27, 2019	82,809
APP	May 27, 2019	856
Axia Power Holding B.V. ⁽¹⁾	May 27, 2019	122,471
Banque Saudi Fransi ⁽²⁾	May 27, 2019	210,666
		<u>416,802</u>

Notes:

- ⁽¹⁾ 100% owned subsidiary of Marubeni Corporation.
- ⁽²⁾ During the year ended December 31, 2015, APP has assigned part of its subordinated loan amounting to SAR 210.7 million to Banque Saudi Fransi.

In addition, on February 16, 2017, RAWEC entered into a common terms agreement with respect to an equity bridge loan facility with a tenor of one year. The facility consists of (i) a term loan facility (base equity facility A) in the amount of US\$38.8 million to be provided by Mizuho Bank Ltd., (ii) a term loan facility (base equity facility B) in the amount of US\$38.8 million to be provided by The Bank of Tokyo Mitsubishi UFJ, Ltd., (iii) a revolving loan facility (customs duties facility A) in the amount of US\$1.2 million to be provided by Mizuho Bank Ltd. and (iv) a revolving loan facility (customs duties facility B) in the amount of US\$1.2 million to be provided by The Bank of Tokyo Mitsubishi UFJ, Ltd. Marubeni Corporation acts as the facility A sponsor guarantor and the facility B sponsor guarantor. The purpose of the equity bridge loan facility is to provide an equity bridge loan to RAWEC to reimburse amounts paid by RAWEC to fund the development, construction and operation of the RAWEC Phase II Facilities.

Events of Default under Project Companies' Common Terms Agreements

The SEPCO CTA, the SWEC CTA, the Marafiq CTA, the SQWEC CTA, the Rabigh CTA and the Qurayyah CTA contain events of default relating to the following:

- non-payment of amounts due under the finance documents;
- breach of financial covenants;
- breach of other obligations under the finance documents;
- material inaccuracy of any representation or warranty or statement when made or repeated;
- cross-default;
- insolvency;
- unlawfulness, repudiation, rescission, invalidity, termination, suspension or unenforceability of the finance documents or project documents;

- material defaults under the project documents;
- material undischarged and non-complied with judgments;
- revocation, suspension, cancellation, surrender, termination, variation or modification of consents required for the relevant Project;
- expropriation;
- material adverse effect;
- any security interest ceases to be perfected or fails to create the necessary priority or subordination;
- failure to comply with share retention obligations;
- giving of termination notices under the direct agreements;
- destruction of the plant where insurance proceeds are not available for reinstatement; and
- failure to achieve the Project's commercial operation date by the required long stop date.

All of these seven common terms agreements also contain other events of default that are described in the subsections on indebtedness of individual Project Companies.

Equity Bridge Loans

Certain intermediate holding companies of the Project Companies have entered into loans the purpose of which is to provide funds to the relevant Project Company to enable it to repay its equity bridge loans procured at the time of financial close for that Project. Equity bridge loans procured by the Project Companies and supported by the relevant parent entities are provided to defer the making of a direct cash investment by the shareholders in order to seek to optimize the shareholder investment. Equity bridge loans are generally repayable by the relevant Project Company at or around the completion of the construction phase.

Loans to SGA Marafiq Holdings

SGA Marafiq Holdings W.L.L entered into six affiliate loan agreements with NOVA SGA Marafiq Holdings Limited ("**NOVA**"). The six affiliate loans were funded by loans from National Commercial Bank, pursuant to a murabaha facility investment agency agreement between National Commercial Bank and NOVA dated February 26, 2015 (the "**NCB Loan Agreement**"), and Mizuho Bank, Ltd pursuant to a loan agreement dated February 26, 2015 among Mizuho Bank, Ltd (as lender), Mizuho Bank, Ltd (as facility agent) and NOVA (as borrower) (the "**Mizuho Loan Agreement**").

The affiliate loan agreements are repayable either (i) as a bullet three years after the initial drawdown under these agreements or (ii) in installments beginning three years after the initial drawdown date. The timing of repayment is at the option of SGA Marafiq Holdings W.L.L (if no option is selected then option (ii) will apply). If option (ii) applies to any affiliate loan agreement, then (i) the interest rate will increase by a specified percentage from the date of the first repayment, and (ii) nearly all dividends to be distributed by SGA Marafiq Holdings W.L.L must be used to repay the affiliate loans. The affiliate loan agreements contain standard representations and warranties. They are assigned to the security agent for the lenders under the NCB Loan Agreement and the Mizuho Loan Agreement and are also subordinated to the senior liabilities of JWAP.

APP's share of the two loans to NOVA from National Commercial Bank and Mizuho Bank, Ltd. amounted to US\$93.3 million as of December 31, 2016, which corresponds to APP's ownership share in SGA Marafiq Holdings W.L.L (33.33%), will be prepaid from the proceeds of the Offering. See "*Use of Proceeds.*" After the prepayment of the APP portion of the loans under the Mizuho Loan Agreement and the NCB Loan Agreement, the remaining amounts outstanding under these loans will continue to benefit from corporate guarantees from the non-APP-related shareholders of NOVA. Following prepayment of APP's share of the two loans, the existing security interest for the benefit of National Commercial Bank and Mizuho Bank, Ltd. will be released. The six affiliate loan agreements will remain in place (with two of such affiliate loan agreements representing APP's share (33.33%) of the total outstanding amount under the six affiliate loans), and NOVA will provide an irrevocable payment undertaking requiring it to pay to the Collection Account on a *pro rata* basis all dividends due to be paid to APGS by NOVA and APGS's 33.33% share of all affiliate loan repayments received by NOVA from SGA Marafiq Holding W.L.L. To the extent any Trust Certificates, which are permitted under the Indenture, are issued after the Issue Date, this irrevocable payment undertaking will be replaced with irrevocable payment undertakings directing that such payments will be paid to the Collection Account and the collection account in relation to the Trust Certificates on a *pro rata* basis based on the aggregate principal amount of the Bonds and Additional Bonds, if any, issued and outstanding and the face amount of any Trust Certificates issued and outstanding. There is no shareholders' agreement in place between the shareholders of SGA Marafiq Holdings W.L.L regulating the distribution of dividends and relations between the shareholders are currently governed by the Marafiq Consortium Agreement. See "*Risk Factors—Risks Related to the Bonds and the Bond Collateral—Risks Related to Our Corporate Structure and the Project Companies—The Project Companies and certain intermediate holding companies that hold ownership interests in the Project Companies are not Restricted Companies*" and "*Description of the Projects and NOMAC's Operations—Marafiq IWPP / JWAP—Key Contractual Agreements—Consortium Agreement of SGA Marafiq Holdings W.L.L.*"

DESCRIPTION OF CERTAIN OTHER FINANCING ARRANGEMENTS OF RESTRICTED COMPANIES

The following is a summary of the material terms of the principal financing arrangements of the Restricted Companies, excluding the Indenture relating to the Bonds, after giving effect to the Offering. The following summaries do not purport to describe all of the applicable terms and conditions of such arrangements and are qualified in their entirety by reference to the actual agreements. Capitalized terms used in the following summaries not otherwise defined in this Offering Memorandum have the meanings ascribed to them in the respective agreement.

As of December 31, 2016, after giving *pro forma* effect to the Offering and use of proceeds on the Issue Date as set forth under “*Use of Proceeds*,” the total amount of indebtedness of the Issuer and the Restricted Companies, including the Bonds but excluding any subordinated shareholder funding, would have been SAR 3,066.5 million (US\$817.7 million).

Indebtedness of Restricted Companies

The following tables set out information on indebtedness of the Restricted Companies that is not being repaid from the proceeds of the Offering, as of December 31, 2015 and as of December 31, 2016.

SUBSIDIARY	NON-CURRENT PORTION OF LOAN BALANCE AS OF		CURRENT PORTION OF LOAN BALANCE AS OF	
	DECEMBER 31, 2015	DECEMBER 31, 2016	DECEMBER 31, 2015	DECEMBER 31, 2016
	(in SAR thousand)			
Floating Ships for Water Projects Company Limited ⁽¹⁾	17,898	7,098	3,346	6,912
	<u>17,898</u>	<u>7,098</u>	<u>3,346</u>	<u>6,912</u>

Note:

⁽¹⁾ Floating Ships for Water Projects Company Limited has obtained a long-term facility from a local commercial bank. see “—*Floating Ships for Water Projects Company Limited*.” The facility is supported by corporate guarantees from shareholders of both Floating Ships for Water Projects Company Limited and Bowarege.

Floating Ships for Water Projects Company Limited

Floating Ships for Water Projects Company Limited entered into a general banking facilities agreement with the Saudi Hollandi Bank (“**SHB**”) on March 26, 2015 for up to a maximum aggregate amount of SAR 28.8 million available by way of a medium term loan to be used to repay the existing loan of Saudi Raka & Power Co. with SAMBA. The medium term loan and the commission rate is to be repaid via eight equal semi-annual installments of SAR 3.6 million each. Installment amounts are due on June 30 and December 31 of each year.

Guarantees

As of December 31, 2016, APP Group had outstanding contingent liabilities in the form of letters of credit provided by APP in the amount of SAR 2.6 billion (as of December 31, 2015: SAR 2.7 billion). The following table sets out the split of such letters of credit provided by APP.

	AMOUNT AS OF 31 DECEMBER 2016
	(in SAR thousand)
Bid bonds	103,733
Performance / development securities	2,279,422
Debt service reserve account letters of credit	232,102
Total	<u><u>2,615,257</u></u>

SAR 2,044 million of such letters of credit will be transferred from APP to ACWA Power before the Issue Date.

Collateral Coordination Agreement

The Issuer, ACWA Power, APP and the Bonds Security Agents, amongst others, will enter into the Collateral Coordination Agreement.

In the event that there is a future issuance of Trust Certificates, the issuer of the Trust Certificates (the “**Sukuk Issuer**”), any delegate appointed by the Sukuk Issuer, the Sukuk Obligor and the Sukuk Security Agents (as defined below) will accede to the Collateral Coordination Agreement.

In the event that there is a future issuance of trust certificates that is permitted under the Indenture (the “**Trust Certificates**”), the Bond Collateral will be released and new security will be created so that the Bondholders will have the benefit of a collateral package over a *pro rata* portion of the same assets as the original Bond Collateral and the holders of the Trust Certificates will have the benefit of a separate but parallel collateral package over a *pro rata* portion of the same assets (excluding the security over certain of the Issuer’s accounts and the pledge over the Issuer’s shares which will be pledged solely in favor of the Onshore Bond Security Agent for the benefit of the Bondholders) described in more detail in this Offering Memorandum. The holders of the Trust Certificates will also benefit security over certain of the Sukuk Obligor’s accounts and the pledge over the Sukuk Obligor’s shares (which will be pledged solely in favor of the Onshore Sukuk Security Agent for the benefit of the Trust Certificate holders).

The Collateral Coordination Agreement will govern the relationships and relative priorities between certain parties including:

- 1) the trustee in respect of the Bonds (the “**Bond Trustee**”) on behalf of itself and the bondholders (the “**Bondholders**”);
- 2) (if Trust Certificates are issued), the Sukuk Issuer and the trust delegate in respect of the Trust Certificates (collectively, the “**Sukuk Trust Parties**”) on behalf of itself and the holders of the Trust Certificates;
- 3) the Bondholders and (if Trust Certificates are issued), the holders of the Trust Certificates;
- 4) ACWA Power and any other direct or indirect shareholders of APP or any of its affiliates (other than Restricted Companies), in respect of certain subordinated liabilities owed to them that have been, or may in the future be, incurred by Restricted Companies (the “**Shareholder Liabilities**”);
- 5) certain intra-group claims of Restricted Companies (the “**Intra-Group Liabilities**”);
- 6) the security agent in respect of the transaction security over assets located in the Kingdom of Saudi Arabia, granted in favor of the Bondholders (the “**Onshore Bonds Security Agent**”);
- 7) the security agent in respect of the transaction security over assets located outside the Kingdom of Saudi Arabia, granted in favor of the Bondholders (the “**Offshore Bonds Security Agent**” and together with the Onshore Bonds Security Agent, the “**Bonds Security Agents**”);
- 8) (if Trust Certificates are issued), the security agent in respect of the transaction security over assets located in the Kingdom of Saudi Arabia, granted in favor of the holders of the Trust Certificates (the “**Onshore Sukuk Security Agent**”);
- 9) (if Trust Certificates are issued), the security agent in respect of the transaction security over assets located outside the Kingdom of Saudi Arabia, granted in favor of the holders of the Trust Certificates (the “**Offshore Sukuk Security Agent**” and together with the Onshore Sukuk Security Agent, the “**Sukuk Security Agents**”); and
- 10) the coordination agent (the “**Coordination Agent**”).

The Bonds Security Agents and (to the extent Trust Certificates are issued) the Sukuk Security Agents shall be collectively referred to as the “**Security Agents**.”

The Collateral Coordination Agreement will set out, among other things:

- the relative ranking of certain financial obligations of certain of the companies that are members of the ACWA Power Group (the “**Obligors**”);
- the inter-relationship between security granted by certain of the Obligors;
- when payments can be made in respect of certain obligations of the Obligors, including in connection with the Bonds and any Trust Certificates;
- when enforcement action can be taken in respect of such obligations of the Obligors in connection with the Bonds and any Trust Certificates;
- the terms pursuant to which certain financial obligations of the Obligors will be subordinated upon the occurrence of certain insolvency events;
- turnover provisions;
- equalization principles; and
- when security (both in respect of the Bonds and any Trust Certificates) will be released including to permit a sale of any assets subject to transaction security and pursuant to other provisions of the Indenture and any equivalent provisions of the documents relating to the Trust Certificates (the “**Sukuk Documents**”) where members of the Restricted Group are entitled to require that Transaction Security be released.

The provisions of the Collateral Coordination Agreement applicable to the Bondholders will apply to the holders of the initial Bonds as well as the holders any Additional Bonds that may be issued.

Unless expressly stated otherwise in the Collateral Coordination Agreement, in the event of a conflict between the terms of the Collateral Coordination Agreement and the Sukuk Documents (if any), the Indenture and each other indenture under which additional senior secured Bonds are issued (collectively, the “**Indenture**”) and any other documents in relation to the Bonds, the provisions of the Collateral Coordination Agreement will prevail.

By purchasing a Bond, Bondholders shall be deemed to have agreed to, and accepted the terms and conditions of, the Collateral Coordination Agreement. The following description is a summary of certain provisions contained in the Collateral Coordination Agreement. It does not restate the Collateral Coordination Agreement and you are advised to read that document in its entirety because it, and not the discussion that follows, defines certain rights of the Bondholders.

Collateral and Equalization

The Bondholders will benefit from 100% of the Bond Collateral.

In the event that there is a future issuance of Trust Certificates, the holders of any Trust Certificates will benefit of a separate but parallel collateral package over a *pro rata* portion of the same assets as the Bond Collateral package (excluding the security over certain of the Issuer’s accounts and the pledge over the Issuer’s shares which will be pledged solely in favor of the Onshore Bond Security Agent for the benefit of the Bondholders) (the “**Sukuk Collateral**”). The holders of the Trust Certificates will also benefit security over certain of the Sukuk Obligor’s accounts and the pledge over the Sukuk Obligor’s shares (which will be pledged solely in favor of the Onshore Sukuk Security Agent for the benefit of the Trust Certificate holders).

Proceeds from enforcement of each Collateral (as defined below) package and the proceeds of certain distressed disposals will be applied as provided below under “*Application of Proceeds.*”

In the event that there is a future issuance of Trust Certificates and all of the liabilities with regard to such Trust Certificates are discharged at a time when any of the liabilities in respect of the Bonds remain outstanding, then the security providers in respect of the Sukuk Collateral will be required to grant security over all those assets that immediately prior to such discharge formed part of the Sukuk Collateral (except for the pledge over 100% of the shares of the Sukuk Obligor in favor of the holders of the Trust Certificates and pledges over certain bank accounts of the Sukuk Obligor) in favor of the Bondholders. By the same token, in the event that all of the liabilities with regard to the Bonds are discharged at a time when any of the liabilities in respect of the Trust Certificates remain outstanding, then the security providers in respect of the Bond Collateral will be required to grant security over all those assets that immediately prior to such discharge formed part of the Bond Collateral (except for the pledge over 100% of the shares of the Issuer in favor of the Bondholders and pledges over certain bank accounts of the Issuer) in favor of the holders of the Trust Certificates.

To the extent that losses after application of such proceeds are not borne proportionately by the Bondholders and the holders of the Trust Certificates (if any), such persons will make such payments amongst themselves as are required so that (after taking into account such payments) those losses are equalized (i.e. borne proportionately).

Ranking and Priority

The Collateral Coordination Agreement provides that the liabilities (referenced below) shall rank in right and priority of payment in the following order:

- first, the liabilities and/or obligations (as applicable) under and in respect of the Bonds and any Trust Certificates and in each case all amounts, including fees and expenses due to their respective representatives (being the Bond Trustee and any Sukuk Trust Parties) (collectively the “**Secured Liabilities**”); and
- second, the Shareholder Liabilities and Intra-Group Liabilities (collectively, “**Subordinated Liabilities**”).

The Subordinated Liabilities are postponed and subordinated to the Secured Liabilities by the Collateral Coordination Agreement. The Collateral Coordination Agreement, however, does not purport to rank the Subordinated Liabilities as between themselves.

New Money and Refinancing

If Trust Certificates are issued, then the Bond Collateral shall be released and retaken (in accordance with the terms of the Indenture) to the extent necessary to ensure that the Collateral secures the Bonds and Trust Certificates on a pro rata basis.

If there are any Trust Certificates outstanding, and Additional Bonds are issued (as permitted under the Indenture), then the Sukuk Collateral shall be released and retaken (in accordance with the terms of the Indenture and the equivalent terms of the Sukuk Documents) to the extent necessary to ensure that the Collateral secures the Bonds, Additional Bonds and Trust Certificates on a pro rata basis.

If an Obligor intends to incur additional liabilities or obligations in connection with a refinancing of any liabilities or obligations that are subject to the Collateral Coordination Agreement and such additional liabilities or obligations are permitted either to rank either pari passu with or behind any existing liabilities and/or share in the Collateral (on a pari passu or lower ranking basis) pursuant to the Bond Documents and the Sukuk Documents (if any), then the Coordination Agent, the Security Agents and the Claimholder Representatives must be provided with prior written notice of such intention.

Following this notice all Parties will, at the cost of APP, enter into all documents which are reasonably required to provide the additional liabilities with the appropriate ranking, provided that such documentation does not otherwise adversely affect the interests of existing secured parties in any material respect.

In any event the Collateral Coordination Agreement will provide that no security document shall be amended, extended or otherwise modified without the provision of certain opinions certificates or confirmations (including in relation to solvency and hardening periods) by the entities in question and their representatives.

Permitted Payments

The Collateral Coordination Agreement will permit payments to be made by the Obligors under the Indenture and under the Sukuk Documents (if any).

The Collateral Coordination Agreement will also permit payments:

- to lenders of Intra-Group Liabilities, except if there has been an acceleration or notice of acceleration (provided that in the event of an acceleration, payments will be permitted if consented to by the Instructing Group (as defined below) or to facilitate a payment in respect of the obligations under the Bonds Documents or the Sukuk Documents, if any); and
- to the lenders of Shareholder Liabilities to the extent such payments are permitted under the Bond Documents and the Sukuk Documents (if any) or the Instructing Group (as defined below) has consented to that payment.

Collateral Enforcement

Instructions in relation to enforcement of Bond Collateral and any Sukuk Collateral (together, the “**Collateral**”) will be given to the relevant Security Agent(s) by the Majority Senior Secured Claimholders (as defined below) (the “**Instructing Group**”) through the Coordination Agent.

Each Security Agent will be entitled to rely on any instructions communicated to it in writing by the Coordination Agent as an instruction of an Instructing Group without any need to verify whether such instruction has been validly given by, and constitutes an instruction of, any such Instructing Group and shall not be bound to take any action in relation to enforcement of Collateral if instructed to do so by any Secured Party unless such instruction is communicated to it by the Coordination Agent as an instruction of an Instructing Group.

To the extent that the Collateral is being enforced with respect to a specific asset or group of assets, then both the Bond Collateral and any Sukuk Collateral over that asset or group of assets must be enforced at the same time and, as part of that enforcement, transferred to the same person (or persons) on the same terms.

A Security Agent is not obliged to enforce the Collateral if it is not appropriately indemnified by the relevant claimholders.

“**Financing Participations**” means the aggregate outstanding amount represented by the Bonds and Trust Certificates held by a Senior Secured Claimholder.

“**Majority Senior Secured Claimholders**” means those Senior Secured Claimholders whose aggregate Financing Participations aggregate more than 50% of the total Financing Participations at that time.

“**Senior Secured Claimholders**” means the Bondholders and the holders of any Trust Certificates.

Enforcement Instructions

The relevant Security Agent may refrain from enforcing the Collateral unless instructed otherwise by the Instructing Group in the manner described above.

Subject to the Collateral having become enforceable in accordance with its terms, the Instructing Group may give or refrain from giving instructions to the Coordination Agent for the Security Agent(s) to enforce or refrain from enforcing the Collateral, as the Instructing Group sees fit.

The Security Agents are entitled to rely on and comply with instructions given, or deemed to be given, in accordance with the Collateral Coordination Agreement.

None of the secured parties shall have any independent power to enforce, or to have recourse to, any Collateral or to exercise any rights or powers arising under the Collateral documents except through the relevant Security Agent.

If any Trust Certificates have been issued, any enforcement instructions of the Instructing Group that are given by the Coordination Agent to the Security Agent(s) must comply with certain security enforcement principles (“security enforcement principles”), including:

- to achieve the security enforcement objective, namely to maximise, so far as consistent with prompt and expeditious realization of value from enforcement of the Collateral, the recovery of all of the secured parties;
- all enforcement proceeds will be received in cash by the relevant Security Agent; and
- to the extent that the enforcement is over Collateral with an aggregate book value exceeding \$7.5 million or over shares of a Restricted Company, the relevant Security Agent shall, if requested by the Instructing Group and to the extent that financial advisers have not adopted a general policy of not providing such opinions, obtain an opinion from a financial adviser (whose liability in giving such opinion may be limited to the amount of its fees in respect of such engagement) to opine as expert that the consideration from such enforcement is fair from a financial point of view for a prompt and expeditious sale taking into account all relevant circumstances provided that inter alia if such enforcement action is conducted by way of Public Auction (as defined below) or is in accordance with any applicable law, no financial adviser opinion is required.

“Public Auction” is an auction or other competitive sales process in which more than one bidder participates or is invited to participate and which is conducted in accordance with the advice of a financial adviser and subject to certain other requirements as specified in the Collateral Coordination Agreement.

Limitation on Enforcement of Subordinated Liabilities

Prior to the Final Discharge Date no enforcement action, other than that outlined below, may be taken by any creditor or claimholder in respect of the Subordinated Liabilities owed to it.

Prior to the date upon which all amounts outstanding in respect of the Bond Documents and the Sukuk Documents (if any) have been fully and finally discharged (the “Final Discharge Date”) to the extent that an insolvency event has occurred in relation to an Obligor, the holders of any Shareholder Liabilities or Intra-Group Liabilities may (unless otherwise directed by any Security Agent) and shall if so directed by any Security Agent, exercise any right they may have to:

- accelerate that Obligor’s Shareholder Liabilities or Intra-Group Liabilities (as applicable), or declare them due and payable on demand;
- make a demand under a guarantee, indemnity or other assurance against loss given by that Obligor in relation to the Shareholder Liabilities or Intra-Group Liabilities (as applicable);
- exercise any right of set off or take or receive any payments in relation to any Shareholder Liabilities or Intra-Group Liabilities of that Obligor; or
- claim and prove in the liquidation of that Obligor for their respective Shareholder Liabilities or Intra-Group Liabilities,

but shall not take any other enforcement action regarding their Shareholder Liabilities or Intra-Group Liabilities without the prior written consent of the Instructing Group.

Turnover

If any Bondholder (or if any Trust Certificates are issued in the future, any holder of Trust Certificates) (or any of their respective creditor representatives) receives or recovers the proceeds of any enforcement of any Collateral or certain distressed disposals except in accordance with “Application of Proceeds” below, that person must:

- in relation to amounts not received or recovered by way of set-off, hold that amount on trust for the relevant Security Agent and promptly pay an amount equal to that amount to the relevant Security Agent for application in accordance with the terms of the Collateral Coordination Agreement; and

- in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery to the relevant Security Agent for application in accordance with the terms of the Collateral Coordination Agreement.

Each of the Bond Trustee and the Sukuk Trust Parties (if any) shall only have an obligation to turn over or repay amounts received or recovered by it as described above (a) if it had actual knowledge that the receipt or recovery is an amount received in breach of a provision of the Collateral Coordination Agreement and (b) to the extent that, prior to receiving that knowledge, it has not distributed the amount of that receipt to the Bondholders or holders of the Trust Certificates (if any) (as applicable) in accordance with the Indenture or the Sukuk Documents (if any).

There will also be a general obligation on the holders of Shareholder Liabilities and of Intra-Group Liabilities to turnover all amounts not received in accordance with the Collateral Coordination Agreement.

Application of Proceeds

All amounts from time to time received or recovered by the Bond Security Agents in connection with the realization or enforcement of all or any part of the Bond Collateral or in connection with a distressed disposal in respect of assets which are subject to the Bond Collateral as well as amounts received by either of them pursuant to the provisions described under "Turnover" above or otherwise paid to a Bond Security Agent under the Collateral Coordination Agreement, shall be held separately by the relevant Bond Security Agent on trust and (subject to applicable law) applied in the following order:

- first, in payment of, or to provide for payment of, any sums owing to such Bond Security Agent and any receiver or any delegate appointed by it;
- second, *pari passu* and *pro rata*, in payment of, or to provide for payment of, any sums owing to the Coordination Agent and certain costs and expenses (other than principal, interest and redemption and prepayment premia) payable to the Bond Trustee;
- third, in payment of, or to provide for payment of, any sums owing to the other Bond Security Agent and any receiver or any delegate appointed by it;
- fourth, *pari passu* and *pro rata*, in or towards payment of, or to provide for payment of, all costs and expenses incurred by the Bondholders or the Trustee in connection with any realization or enforcement of the Bond Collateral taken in accordance with the terms of the Collateral Coordination Agreement or any distressed disposal or any action taken at the request of the Bond Security Agents;
- fifth, in or towards payment to the Bond Trustee on behalf of the Bondholders for application towards the discharge of the amounts owing to the Bondholders;
- sixth, after all amounts in respect of the Bonds have been discharged, in payment or distribution to any person to whom any Bond Security Agent is obliged to pay or distribute in priority to any Obligor; and
- seventh, the balance (if any) in payment or distribution to the relevant Obligor.

If Trust Certificates are issued, all amounts from time to time received or recovered by the Sukuk Security Agents in connection with the realization or enforcement of all or any part of the Sukuk Collateral or in connection with a distressed disposal in respect of assets which are subject to the Sukuk Collateral as well as amounts received by either of them pursuant to the provisions described under "Turnover" above or otherwise paid to a Sukuk Security Agent under the Collateral Coordination Agreement, shall be held separately by the relevant Sukuk Security Agent on trust and (subject to applicable law) applied in the following order:

- first, in payment of, or to provide for payment of, any sums owing to such Sukuk Security Agent and any receiver or any delegate appointed by it;
- second, *pari passu* and *pro rata*, in payment of, or to provide for payment of, any sums owing to the Coordination Agent and certain costs and expenses (other than principal, interest and redemption and prepayment premia) payable to the Sukuk Trust Parties;
- third, in payment of, or to provide for payment of, any sums owing to the other Sukuk Security Agent and any receiver or any delegate appointed by it;
- fourth, *pari passu* and *pro rata*, in or towards payment of, or to provide for payment of, all costs and expenses incurred by the holders of the Trust Certificates or the Trust Delegate (as defined below) in connection with any realization or enforcement of the Sukuk Collateral taken in accordance with the terms of the Collateral Coordination Agreement or any distressed disposal or any action taken at the request of the Sukuk Security Agents;
- fifth, in or towards payment to the Sukuk Trust Parties on behalf of the holders of the Trust Certificates for application towards the discharge of the amounts owing to the holders of the Trust Certificates;

- sixth, after all amounts in respect of the Trust Certificates have been discharged, in payment or distribution to any person to whom any Sukuk Security Agent is obliged to pay or distribute in priority to any Obligor; and
- seventh, the balance (if any) in payment or distribution to the relevant Obligor.

Release of security—distressed disposals

In circumstances where a distressed disposal is being effected, the Collateral Coordination Agreement will provide that the relevant Security Agent is authorised and required to release the Collateral or any other claim over the relevant asset on the terms set out in the Collateral Coordination Agreement.

Any net proceeds of the enforcement or disposal of Collateral or a distressed disposal must be applied in accordance with the enforcement proceeds waterfall described above under “Application of Proceeds.”

Release of security—non-distressed disposals

In circumstances where a disposal of an asset of or shares in a Restricted Company which is not a distressed disposal is otherwise permitted by the terms of the Indenture and the Sukuk documentation, the Collateral Coordination Agreement will provide that each Security Agent is authorized and required:

- a) to release the Collateral or any other claim over the relevant asset or shares; and
- b) if the relevant asset consists of shares in the capital of an Obligor or a holding company of an Obligor, to release the Collateral or any other claim over that Obligor’s or holding company’s assets and the assets of any of their subsidiaries and, with such a disposal to a person outside of the Group, any guarantees from that Obligor or holding company or any of their subsidiaries, provided that to the extent the same is required by the terms of the Indenture or the Sukuk Documents (if any) the disposal is either (A) made subject to the Collateral (and if customary for security governed by the law of that Collateral or in the jurisdiction of the transferee to ensure that the Collateral is maintained on substantially similar terms or perfected, the transferee will adhere to the original security document, the original security document will be amended or additional security shall be granted by the transferee before or at the same time) or (B) if the Collateral must be released in order to effect the disposal, any required replacement security (on substantially the same terms and ranking, save to the extent otherwise permitted by the debt documents) is granted by the transferee before or at the same time as the release. If required by the terms of the Indenture or the Sukuk Documents (if any), the proceeds from the disposal shall be applied in mandatory prepayment or redemption of the relevant debt to the extent so required.

Release of security—permitted reorganization

In circumstances where a Obligor, other than the Issuer or the Sukuk Issuer (if any), is part of a solvent liquidation, reorganization, merger, amalgamation or consolidation that is permitted under the terms of the Indenture and the Sukuk Documents (if any) (a “Reorganization”), the Collateral Coordination Agreement will provide that, to the extent necessary for that Reorganization to occur only, the relevant Security Agent is authorized and required to release:

- a) that Obligor from all or any secondary liabilities that it may have with regard to the Bonds or the Trust Certificates (if any) if that Obligor is the subject of a solvent winding-up or similar solvent process in connection with the Reorganization; and
- b) any Collateral granted over the shares in that Obligor and/or that Obligor’s assets,

provided that (A) any replacement security required under the Indenture or the Sukuk Documents (if any) (on substantially the same terms and ranking, save to the extent otherwise permitted by the Indenture and the Sukuk Documents (if any)) is granted by the surviving entity of such Reorganization before or at the same time as the release; and (B) contemporaneously with such release, the Sukuk trust delegate (the “**Trust Delegate**”) (if Trust Certificates have been issued), the Trustee and the Security Agents receive either (1) a solvency opinion from a financial adviser, in form and substance reasonably satisfactory to the Trustee and the Trust Delegate confirming the solvency of that Obligor (or the surviving entity) and its subsidiaries, taken as a whole, after giving effect to the Reorganization and any transactions related to such release and retaking; (2) a certificate from the board of directors or chief financial officer of that Obligor (acting in good faith) that confirms the solvency of that Obligor (or the surviving entity) granting such security after giving effect to the Reorganization and any transactions related to such release and retaking; or (3) an Opinion of Counsel, in form and substance reasonably satisfactory to the Trustee and the Trust Delegate (if Trust Certificates have been issued) (subject to customary exceptions and qualifications), confirming that, after giving effect to the Reorganization and any transactions related to such release and retaking, the Collateral so released and retaken is valid and perfected security not otherwise subject to any new limitation imperfection or hardening period, in equity or at law.

Release of security—other releases

The Collateral Coordination Agreement will provide that, if any Restricted Company is entitled (having satisfied any applicable conditions precedent) under the Indenture or the Sukuk Documents (if any) to require a release of any Collateral, the relevant Security Agent is authorized and required to release such Collateral.

Amendment

Subject as specified in the next paragraph, the Collateral Coordination Agreement may be amended with the consent of the Majority Bondholders and (if Trust Certificates are issued in the future) the Majority Trust Certificateholders (each as defined below), APP and the Security Agents.

If an amendment relates to certain specified matters such as ranking, priority, redistribution, turnover, enforcement, distressed disposal proceeds, the amendments clause or the payment waterfall, the Collateral Coordination Agreement may only be amended with the consent of the required percentage of the Bondholders and (if Trust Certificates are issued in the future) holders of the Trust Certificates as may be required under the terms of the Indenture or the relevant Sukuk Document (if any) (as applicable) (or, where not specified, a simple majority by principal amount), APP and the Security Agents.

No amendment or waiver of the Collateral Coordination Agreement may impose new or additional obligations on or withdraw or reduce the rights of any party (other than in a way which affects creditors of that party's class generally) to the Collateral Coordination Agreement without the prior consent of that party (or its representative).

In certain circumstances the Collateral Coordination Agreement may be amended without the consent of the Bondholders and (if Trust Certificates are issued) holders of the Trust Certificates.

The Collateral Coordination Agreement will also permit the Security Agents to enter into new or supplemental security and/or release and retake Collateral if certain conditions are met.

The Collateral Coordination Agreement will provide that a holder of the Trust Certificates (if any) shall not approve any amendment, waiver or consent under that agreement to the extent that such amendment, waiver or consent would not be in compliance with *shari'a* principles.

“Majority Bondholders” means, at any time, those Bondholders whose participations under the Bonds aggregate more than 50 per cent. of the total outstanding principal amount (including capitalised interest, if applicable) of the Bonds at that time.

“Majority Trust Certificateholders” means, at any time (after Trust Certificates have been issued), those holders of the Trust Certificates whose participations under the Trust Certificates aggregate more than 50 per cent. of the total outstanding face amount of the Trust Certificates at that time.

Governing Law

The Collateral Coordination Agreement is governed by English law.

DESCRIPTION OF THE BONDS

General

ACWA Power Management and Investments One Limited (the “**Issuer**”), a limited company incorporated under the laws of the Dubai International Financial Center (the “**DIFC**”), will issue \$814 million aggregate principal amount of 5.95% senior secured bonds due 2039 (the “**Bonds**”) under an indenture, to be dated as of May 15, 2017 (the “**Indenture**”), among, *inter alios*, the Issuer, Arabian Company for Water and Power Projects (“**APP**”), First National Operations & Maintenance Company Limited (“**NOMAC**”), Citibank, N.A., London Branch, as trustee (the “**Bond Trustee**”), Citibank, N.A., London Branch, as the off-shore security agent (the “**Offshore Bond Security Agent**”), Arab National Bank, as the onshore security agent (the “**Onshore Bond Security Agent**”), and the other parties thereto in a private transaction that is not subject to the registration requirements of the U.S. Securities Act of 1933, as amended (the “**Securities Act**”). See “*Notice to Investors.*” The terms of the Bonds include those set forth in the Indenture. The Indenture will not be qualified under, incorporate or include or be subject to any of the provisions of the U.S. Trust Indenture Act of 1939, as amended (the “**Trust Indenture Act**”). Consequently, the Bondholders generally will not be entitled to the protections provided under the Trust Indenture Act to the holder of bonds issued under a qualified indenture.

The proceeds of the Offering will be advanced by the Issuer to certain Subsidiaries and Affiliates of International Company for Water and Power Projects (“**ACWA Power**” and, together with such Subsidiaries and Affiliates, the “**ACWA Power Group**”), to (i) prepay certain existing loan facilities of Restricted Companies, (ii) prepay certain existing loan facilities of ACWA Power entities who are not Restricted Companies, (iii) for general corporate purposes of the ACWA Power Group entities including entities which may not be Restricted Companies and (iv) pay offering related fees, costs and expenses, in all cases as set forth in more detail in the Offering Memorandum under “*Use of Proceeds.*”

The Issuer is a subsidiary of ACWA Power, a joint stock company established under the laws of the Kingdom of Saudi Arabia. The Issuer conducts no business operations of its own, has no operating history, has not engaged in any activities other than those related to its formation in preparation for this Offering and, other than the Accounts and certain intercompany receivables to be established in connection with this Offering, does not have any material assets or sources of income. In order to meet its obligations, including its obligations under the Bonds, the Issuer will be wholly dependent on the profitability and cash flow of the Restricted Companies and the Project Companies in particular their ability to pay dividends and fees and make payments under inter-company loans. Certain legal and contractual restrictions will limit the Issuer’s ability to access the cash flow of the Restricted Companies and the Project Companies, including restrictions on dividend distributions in the Project Documents. See “*Description of Certain Other Financing Arrangements of Project Companies*” and “*Description of Certain Other Financing Arrangements of Restricted Companies*” and “*Risk Factors—Risks Related to the APP Group, Projects and NOMAC—The ability of most Project Companies to pay dividends is restricted under their financing arrangements.*”

ACWA Power, APP, NOMAC and each of their respective Subsidiaries, affiliates and joint ventures and the Project Companies are separate and distinct legal entities and have no obligations, contingent or otherwise, to pay any amount due pursuant to the Bonds, or to make any funds available therefor. If the Issuer fails to pay any amount under the Bonds, the holders of the Bonds will have no claim on the assets of ACWA Power, APP, NOMAC, any of their respective Subsidiaries, affiliates or joint ventures or the Project Companies. See “*Risk Factors—Risks related to the Bonds and the Bond Collateral—Risks Related to Our Corporate Structure and the Project Companies—If we default on the Bonds, your recourse will be limited to us.*”

As of the Issue Date, the obligations of the Issuer under the Bonds will be secured (subject to perfection) by the Issue Date Bond Collateral (as defined below). ACWA Power is in the process of restructuring NOMAC as described under “*NOMAC Restructuring.*” In addition, as set out herein, upon the transfer of shares of NOMAC to NOMAC Holding Company, the obligations under the Bonds will be secured by a security interest over the Post-Closing Bond Collateral. The Bond Collateral (as defined below) will be subject to the provisions of the Bond Collateral Coordination Agreement. See “*Description of Certain Other Financing Arrangements of Restricted Companies—The Collateral Coordination Agreement.*” The Bond Collateral is described under the caption “*—Bond Collateral.*” The Bond Security Documents referred to below under the caption “*—Bond Collateral*” will define the terms of the agreements that will provide for the Bond Collateral. There are limitations on the enforceability of the security under the laws of the Kingdom of Saudi Arabia, the DIFC and England and Wales. See “*Risk Factors—Risks Related to DIFC and Saudi Arabian Law—Unilateral promises and penalties or indemnities for not following contractual agreements may not be enforceable under the laws of the Kingdom of Saudi Arabia,*” “*Risk Factors—Risks Related to DIFC and Saudi Arabian law—Foreign judgments and arbitral awards may not be enforceable under the laws of the Kingdom of Saudi Arabia*” and “*Risk Factors—Risks Related to DIFC and Saudi Arabian Law—The laws of the Kingdom of Saudi Arabia relating*”

to enforcement are relatively undeveloped and the interpretation of the compliance of the KSA Assignment Agreements with Islamic law principles may differ among Saudi Arabian courts and judicial committees.”

As of the Issue Date, the following entities will be the Restricted Companies for purposes of the Indenture: the Issuer, APP and its Subsidiaries (including NOMAC and its Subsidiaries and excluding any Project Companies and Expansion Project Companies) and for so long as APP maintains a direct or indirect interest in it, the Saudi Malaysia Water and Electricity Co. Ltd. Following completion of the NOMAC Obligations, the following entities will be the Restricted Companies for purposes of the Indenture: the Issuer, APP and its Subsidiaries (excluding any Project Companies and Expansion Project Companies), NOMAC and its Subsidiaries and for so long as it remains a Subsidiary of ACWA Power, the Saudi Malaysia Water and Electricity Co. Ltd. See “*NOMAC Restructuring.*”

As of the Issue Date, three of the Project Bidding Companies, SGA Marafiq Holdings W.L.L (the direct holding company of JWAP), Qurayyah Investment Company (the direct holding company of HEPCO) and Shuaibah Expansion Holding Company Limited (the direct holding company of SEPCO) are not Subsidiaries of APP and therefore are not Restricted Companies. Any ACWA entity that is not a Restricted Company will not be subject to any of the restrictive covenants or obligations set forth in the Indenture. See “*Risk Factors—Risks Related to the Bonds and the Bond Collateral—Risk Related to Our Corporate Structure and the Project Companies—The Project Companies and certain intermediate holding companies that hold ownership interests in the Project Companies are not Restricted Companies.*” ACWA Power will be subject to certain restrictions, relating to the Collateral pledged by it and the completion of NOMAC Obligations, under the Bond Security Documents it is a party to. For the avoidance of doubt, the Restricted Companies shall always exclude the Project Companies and Expansion Project Companies (whether or not they are or become Subsidiaries of APP). As of December 31, 2016, after giving *pro forma effect* to the Offering and the Sukuk Offering and use of proceeds on the Issue Date as set forth under “*Use of Proceeds,*” the total amount of indebtedness of the Issuer and the Restricted Companies, including the Bonds but excluding any Subordinated Shareholder Funding, would have been SAR 3,066.5 million (US\$817.7 million).

The following description is a summary of the material provisions of the Bonds, the Indenture, and the Bond Security Documents. It does not restate the Bonds, the Indenture, the Collateral Coordination Agreement and the Bond Security Documents in their entirety, and is subject to, and qualified in its entirety by reference to, all of the provisions of the Bonds, the Indenture, the Collateral Coordination Agreement and the Bond Security Documents, in each case, including the definitions therein. Copies of the Bonds, the Indenture, the Collateral Coordination Agreement and the Bond Security Documents are available for inspection at the Corporate Trust Office of the Bond Trustee. We urge you to read the Bonds, the Indenture, the Collateral Coordination Agreement and the Bond Security Documents because they, and not this description, define your rights as a holder of the Bonds (a “**Bondholder**”).

Certain terms that are given special meanings in the Indenture are used as defined under the subheading “*—Certain Definitions.*” You can find the definitions of certain terms used in this description under “*—Certain Definitions.*” *Defined terms used in this “Description of the Bonds” but not defined below under the caption “—Certain Definitions” have the meanings assigned to them in the Indenture. The registered holder of a Bond will be treated as the owner of it for all purposes. Only registered holders will have rights under the Indenture.*

Brief Description of the Bonds

The Bonds will upon issuance:

- constitute general senior obligations of the Issuer, secured by the Bond Collateral as set forth below under “*—Bond Collateral*”, subject to the Collateral Coordination Agreement;
- rank *pari passu* in right of payment with all existing and future Indebtedness of the Issuer incurred in accordance with the Indenture that is not subordinated in right of payment to the Bonds;
- be effectively subordinated to any existing and future Indebtedness of the Issuer incurred in accordance with the Indenture that is secured by property or assets that do not secure the Bonds, to the extent of the value of the property and assets securing such Indebtedness;
- be structurally subordinated to any existing or future Indebtedness of the Restricted Companies, including the NOMAC and Floating Ships Company debt facilities; and
- rank senior in right of payment to any of the existing and future Indebtedness of the Issuer incurred in accordance with the Indenture that is subordinated in right of payment to the Bonds, if any.

Ratings

Prior to the issuance of the Bonds, it is expected that, subject to final documentation, the Bonds will be rated Baa3 (stable) by Moody’s and BBB– (stable) by S&P. These ratings reflect only the view of the applicable Rating Agency at the time the rating is issued, and any explanation of the significance of the rating may only be obtained from the

relevant Rating Agency. There is no assurance that any credit rating will remain in effect for any given period of time or that it will not be lowered, suspended or withdrawn entirely by the applicable Rating Agency, if, in that Rating Agency's judgment, circumstances warrant the lowering, suspension or withdrawal of the rating. Any such lowering, suspension or withdrawal of any rating may have an adverse effect on the market price or marketability of the Bonds.

Principal, Interest and Amortization Schedule

The Bonds offered hereby will be in an aggregate principal amount of \$814 million and will mature on December 15, 2039. The Bonds will be issued pursuant to the Indenture in the form of registered bonds in global form only and in minimum denominations of \$200,000 and any integral multiples of \$1,000 in excess thereof. The Bonds will initially be represented by Global Bonds, as set forth under the caption "*—Replacement, Exchange and Transfers.*"

The Bonds will bear interest at a rate of 5.95% per annum from the date of the issuance until the principal thereof (including any Additional Amounts) is paid or made available for payment. Interest will be payable semiannually in arrears on or around June 15 and December 15 of each year (the "**Payment Dates**") commencing on June 15, 2017 and will be calculated on the basis of a 360-day year of twelve 30-day months. The Issuer will make each interest payment to the Bondholders of record on the relevant Record Date. In some circumstances, the Issuer may be required to pay Additional Amounts in cash on the Bonds as described under "*—Additional Amounts.*"

Principal on the Bonds will be repayable to the person in whose name the Bond is registered on the relevant Record Date for such principal in semi-annual instalments in accordance with the following amortization schedule (the "**Amortization Schedule**"):

<u>Payment Date</u>	<u>Percentage of Original Principal Amount Payable</u>
June 15, 2021	0.107%
December 15, 2021	0.083%
June 15, 2022	0.010%
December 15, 2022	0.000%
June 15, 2023	0.029%
December 15, 2023	0.681%
June 15, 2024	2.484%
December 15, 2024	2.377%
June 15, 2025	1.929%
December 15, 2025	1.711%
June 15, 2026	1.888%
December 15, 2026	4.438%
June 15, 2027	4.953%
December 15, 2027	4.152%
June 15, 2028	5.306%
December 15, 2028	5.304%
June 15, 2029	5.269%
December 15, 2029	8.595%
June 15, 2030	8.410%
December 15, 2030	7.165%
June 15, 2031	4.928%
December 15, 2031	3.464%
June 15, 2032	3.452%
December 15, 2032	3.184%
June 15, 2033	4.224%
December 15, 2033	4.399%
June 15, 2034	1.980%
December 15, 2034	2.630%
June 15, 2035	2.358%
December 15, 2035	1.669%
June 15, 2036	1.186%
December 15, 2036	0.257%
June 15, 2037	0.238%
December 15, 2037	0.257%
June 15, 2038	0.261%
December 15, 2038	0.158%
June 15, 2039	0.225%
December 15, 2039	0.238%

Default Interest

Upon the occurrence and during the continuance of a failure to pay any installment of principal or any other amount (including interest, premium or Additional Amounts) payable on the Bonds which is not paid in full when due, the Issuer will pay the Bondholders, subject to the terms of the Indenture, additional interest (including post-petition interest in any proceeding under any Bankruptcy Law) on the amount past due at a rate of 1% plus the stated interest rate for the Bonds (the "**Default Interest**") from and including the date when such amounts were due and through and including the date of payment by the Issuer.

Additional Bonds

Subject to the Issuer's compliance with the covenants described under the headings "*—Certain Covenants—Incurrence of Indebtedness*" and "*—Certain Covenants—Limitation on Liens*," the Issuer is permitted to issue additional bonds ("**Additional Bonds**"), which shall have terms substantially identical to the Bonds (other than issue price, issue date and first interest payment).

Such Additional Bonds will be treated, along with all other series of Bonds, as a single class for the purposes of the Indenture with respect to waivers, amendments and all other matters which are not specifically distinguished for such series; *provided, however*, that any Additional Bonds that are not fungible with the Bonds hereunder for U.S. federal income tax purposes shall have a separate ISIN, CUSIP or other securities identification numbers from such Bonds. Unless the context otherwise requires, for all purposes of the Indenture and this "*Description of the Bonds*," references to "Bond" shall be deemed to include references to the Bonds initially issued on the Issue Date as well as any Additional Bonds.

Additional Bonds may be designated to be of the same series as the Bonds initially issued on the Issue Date, but only if they have terms substantially identical to the initial Bonds (other than issue price, issue date and first interest payment) and shall be deemed to form one series, and references to the "Bonds" shall be deemed to refer to the Bonds initially issued on the Issue Date as well as any Additional Bonds. See "*Risk Factors—Risks Related to the Bonds and the Bond Collateral—Risks Related to the Bond Collateral—The granting of the Bond Collateral in the future in connection with any release of Sukuk Collateral prior to the maturity of the Bonds, granting of a new or additional security interest, or in transactions permitted under the "Merger and Consolidation" covenant in the Indenture, may create or restart hardening periods and the Bond Collateral may be challenged or voidable in accordance with the laws applicable in certain jurisdictions.*"

Trust Certificates

Subject to compliance with the covenants described under the headings "*—Certain Covenants—Incurrence of Indebtedness*," "*—Certain Covenants—Limitation on Liens*," and "*—Certain Covenants—No Impairment of Security Interest*," ACWA Power Sukuk SPC Limited (the "**Sukuk Issuer**"), a special purpose company incorporated in the DIFC with limited liability (and owned by a trustee for the benefit of a charity) may offer senior secured *Sukuk* trust certificates (the "**Trust Certificates**"). To the extent any such Trust Certificates are issued after the Issue Date, ACWA Power Management and Investments Two Limited ("**APMI Two**") will enter into certain *Shari'ah* compliant arrangements and obligations in connection with its receipt of the proceeds from the offering of such Trust Certificates. See "*Risk Factors—Risks Related to the Bonds and the Bond Collateral—Risks Related to the Bond Collateral—The granting of the Bond Collateral in the future in connection with any release of Sukuk Collateral prior to the maturity of the Bonds, granting of a new or additional security interest, or in transactions permitted under the "Merger and Consolidation" covenant in the Indenture, may create or restart hardening periods and the Bond Collateral may be challenged or voidable in accordance with the laws applicable in certain jurisdictions.*"

In the event that Trust Certificates are issued in the future, the holders of the Trust Certificates will have the benefit of a separate collateral package over largely the same assets as the Bond Collateral (excluding the security over certain of the Issuer's accounts and the pledge over the Issuer's shares which will be pledged solely to the Offshore Bond Security Agent for the benefit of the Bondholders). The Collateral will secure the Bonds and such Trust Certificates on a *pro rata* basis based on the aggregate principal amount of the Bonds and Additional Bonds issued and outstanding and the face amount of the trust certificates issued and outstanding.

Pursuant to the terms of the Collateral Coordination Agreement, any proceeds received upon any enforcement action over any Bond Collateral will be applied to repayment of all obligations under the Bonds and any Additional Bonds permitted to be incurred under the Indenture, and any proceeds received upon any enforcement action over any *Sukuk* Collateral will be applied in repayment of all obligations under the Trust Certificates. The Collateral Coordination Agreement will provide for equalization between the Bondholders and the holders of the Trust Certificates in the event that, following such application, the proceeds of enforcement are insufficient to discharge all of the liabilities in respect of both the Bonds and the Trust Certificates.

Methods of Receiving Payments on the Bonds

Principal, premium, if any, and interest on the Global Bonds (as defined below) will be payable in U.S. dollars at the offices of the Paying Agent in London. Payments will be made by wire transfer through the relevant clearing system. The final payment payable with respect to a Bond will be payable upon presentation and surrender of such Bond to the Bond Trustee.

Payment in respect of principal of, interest, Additional Amounts and any premium on, any Payment Date with respect to any Bond will be made to the person in whose name such Bond is registered with the Registrar at the close of business on the relevant Record Date, which will be 15 (fifteen) calendar days (whether or not a Business Day) immediately preceding the applicable Payment Date. Neither the Bond Trustee nor the Paying Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial interests in the Global Bonds or for maintaining, supervising or reviewing any records relating to such beneficial interests.

If the due date for payment of any principal, interest, redemption or purchase price, any premium, Additional Amounts or any other payment in respect of any Bond is not a Business Day, the holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day and will not be entitled to any further interest or other payment in respect of any such delay.

Paying Agents, Registrar and Transfer Agent

The Issuer will maintain a paying agent for the Bonds in London (the “**Paying Agent**”). The Issuer will initially appoint Citibank, N.A., London Branch, as the Paying Agent for the Bonds.

The Indenture provides that any money deposited with the Paying Agent will be held by them as a banker for the payment of the principal, premium, Additional Amounts, if any, or interest on the Bonds for the benefit of the Bond Trustee and the Bondholders. The Issuer will also maintain a registrar in London (the “**Registrar**”) and a transfer agent in London (“**Transfer Agent**”). The initial Registrar will be Citigroup Global Markets Deutschland AG and the Transfer Agent will be Citibank, N.A., London Branch. The Registrar will maintain a register reflecting ownership of registered Bonds outstanding from time to time, and will make payments on and facilitate transfers of Global Bonds on behalf of the Issuer (the “**Register**”).

The Issuer may change the Paying Agent, Registrar or Transfer Agent without prior notice to the Bondholders. However, for so long as Bonds are listed on the Irish Stock Exchange and the rules of the Irish Stock Exchange so require, the Issuer will publish notice of any change of Paying Agent, Registrar or Transfer Agent on the official website of the Irish Stock Exchange (www.ise.ie), to the extent and in the manner permitted by the rules of the Irish Stock Exchange. Such notice of the change in a Paying Agent, Registrar or Transfer Agent may instead be published in a daily newspaper with general circulation in Ireland (which is expected to be the *Irish Times*).

Additional Amounts

The Issuer will make all payments of principal, premium, if any, and interest in respect of the Bonds free and clear of, and without withholding or deduction for, any and all present or future taxes, duties, assessments, levies, imposts or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by, within, or on behalf of any taxing authority of the Dubai International Financial Centre, the Kingdom of Saudi Arabia or any other jurisdiction where the Issuer is, or may be, resident for tax purposes or conduct business, or through which such payments are made on our behalf (including the jurisdiction where any Paying Agent is located), in each case, including any political subdivision or taxing authority thereof or therein (each a “**Relevant Jurisdiction**”), unless such withholding or deduction is required by law. If withholding or deduction is so required to be made by or on behalf of the Issuer, the Bond Trustee or the Paying Agent, the Issuer will pay such additional amounts (“**Additional Amounts**”) as may be necessary so that each Bondholder receives, after the applicable withholding or deduction (including any withholding or deduction from Additional Amounts), the amount it would have received had no such withholding or deduction been required.

The Issuer will not be under any obligation to pay such Additional Amounts that are imposed for or on account of:

- (a) any tax, duty, assessment, levy, impost or other governmental charge that would not have been imposed but for (x) the existence of a connection between the Bondholder or owner of a book-entry interest in respect of the Bonds and the Relevant Jurisdiction other than holding such Bonds, receiving payments thereunder or enforcing any available remedies thereunder, or (y) the failure of the Bondholder or the owner of a book-entry interest in respect of a Bond to comply with, provided it is legally entitled to do so, our timely (at least 30 (thirty) days before the relevant payment date) request, addressed to the Bondholder or owner of a book-entry interest in respect of the Bonds to certify or provide information concerning such Bondholder’s or such owner’s nationality, residence, identity or connection with the Relevant Jurisdiction, if and to the extent that such certification or information is required by statute, regulation or administrative practice of the Relevant Jurisdiction to reduce or eliminate any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Bondholder or such owner;
- (b) any estate, inheritance, gift, sale, transfer, capital gains, personal property or similar tax, assessment or other governmental charge;
- (c) where presentation is required, any taxes, duties, assessments, levies, imposts or other governmental charges that would not have been imposed but for failure to present any Bond within 30 (thirty) days after the relevant payment was due and payable or was first provided for, whichever is later, except for Additional

Amounts with respect to such charges that would have been imposed had the Bondholder presented the Bond for payment on the last day of such 30-day period; (d) any taxes, duties, assessments, levies, imposts or other governmental charges payable other than by deduction or withholding from payments under, or with respect to, the Bonds; or (e) any combination of taxes, duties, assessments, levies, imposts or other governmental charges referred to in the preceding clauses (a) through (d).

Also, such Additional Amounts will not be payable with respect to any payment on such Bond to any Bondholder who is a fiduciary or partnership or any person other than the sole beneficial owner of such payment, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such a partnership or the beneficial owner of such payment would not have been entitled to the Additional Amounts had such beneficiary, settlor, member or beneficial owner held such Bond directly.

Notwithstanding anything to the contrary in the preceding paragraph, the Issuer shall not be required to pay any Additional Amounts with respect to any withholding or deduction imposed on payments made with respect to the Bonds pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”), any current or future regulations or official interpretations thereof, any agreements entered into pursuant to Section 1471(b)(1) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such sections of the Code.

The Issuer will make any such withholding or deduction and remit the full amount deducted or withheld to the Relevant Jurisdiction in accordance with applicable law. The Issuer will make reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any taxes so deducted or withheld from the Relevant Jurisdiction imposing such taxes. The Issuer will furnish to the Bond Trustee, within 30 (thirty) calendar days after the date the payment of any taxes so deducted or withheld is due pursuant to applicable law, either certified copies of tax receipts evidencing such payment or, if such receipts are not obtainable, other evidence of such payments reasonably satisfactory to the Bond Trustee.

No later than 30 (thirty) calendar days prior to each date on which any payment under or with respect to the Bonds is due and payable, if the Issuer will be obligated to pay Additional Amounts with respect to such payment, the Issuer will deliver to the Bond Trustee an Officer’s Certificate stating the fact that such Additional Amounts will be payable and the amounts so payable, and will set forth such other information as is necessary to enable each Paying Agent to pay such Additional Amounts to the Bondholders on the payment date. The Bond Trustee will be entitled to rely solely on such Officer’s Certificate as conclusive proof that such payments are necessary. The Issuer will covenant to indemnify the Bond Trustee and any Paying Agent (and each of their respective officers, directors and employees) for, and to hold each of them harmless against, any loss, liability or reasonable expense incurred without negligence, bad faith or willful misconduct on its part, arising out of or in connection with actions taken or omitted to be taken by it in reliance on any Officer’s Certificate furnished to it by us or in reliance upon the absence of any such Officer’s Certificate required to be furnished to it by the Issuer which is not so furnished.

In addition, the Issuer will pay and indemnify for any present or future stamp, issue, registration, documentary, value-added, court, excise, property or other similar taxes and other duties (including interest and penalties) payable in any Relevant Jurisdiction in respect of the creation, issue, offering, execution or enforcement of the Bonds, or any documentation with respect thereto.

The foregoing obligations will survive payment of the Bonds, any termination, defeasance or discharge of the Indenture, resignation or removal of the Bond Trustee or any Paying Agent, as the case maybe, and will apply *mutatis mutandis* to any jurisdiction in which any successor to the Issuer is organized, engaged in business or resident for tax purposes, or any political subdivision or taxing authority or agency thereof or therein.

Bond Collateral

In the event that Trust Certificates are issued in the future as permitted under the Indenture, holders of the Trust Certificates will have the benefit of a separate but parallel collateral package over a *pro rata* portion of the same assets as the Bond Collateral package (excluding the security over certain of the Issuer’s accounts and the pledge over the Issuer’s shares which will be pledged solely in favor of the Onshore Bond Security Agent for the benefit of the Bondholders).

On the Issue Date, the obligations of the Issuer under the Bonds will be secured, subject to certain perfection requirements, by the following security interests and pledges over the following property, rights and assets (all of the following being referred to as the “**Issue Date Bond Collateral**”):

- (a) 100% of the shares of the Issuer held by ACWA Power pursuant to a DIFC law share pledge, which will not secure the obligations under the Trust Certificates (the “**APMI One Share Pledge**”);

- (b) the Debt Service Reserve Account, the Collection Account, the Redemption Account and Eligible Investments therein pursuant to a DIFC law security agreement;
- (c) the shares of APP held by ACWA Power, KAHROMAA, Multiple Shares Company, Projects Acquisition Company and Shuqaiq Arabian Water and Electricity Company pursuant to a Saudi law share pledge (the “**APP Share Pledge**”);
- (d) assignment by APP of:
 - all dividends that have been approved by the shareholders and are payable from Bowarege and RAWEC pursuant to a Saudi law assignment of dividends agreement; and
 - all dividends that are payable from AMWEC pursuant to an English law assignment agreement;
- (e) assignment of receivables by APP in relation to the fee received from RAWEC IWSP under a limestone supply agreement pursuant to a Saudi law assignment of receivables agreement;
- (f) assignment of receivables by APP in relation to fees received from RAWEC IWSP under the Project Company shareholders’ agreement and Rabigh Power Company shareholders’ agreement pursuant to an English law assignment agreement;
- (g) assignment by ACWA Power of fees received from NOMAC in relation to:
 - technical services agreements in respect of Projects including Rabigh 2 IPP, RAWEC IWSP and Shuaibah IWPP; and
 - technical services agreements in respect of the Shuaibah IWPP (additional services), Shuqaiq IWP, Shuaibah Expansion IWP, Qurayyah IPP, Rabigh IPP and Bowerage IWP, pursuant to an English law assignment agreement;
- (h) assignment by Rabigh Project Company of all dividends payable from RABEC pursuant to a Saudi law assignment of dividends agreement;
- (i) assignment of receivables by Rabigh Project Company in relation to the management fee and operation and maintenance fee pursuant to a Saudi law assignment of receivables agreement;
- (j) assignment by Shuaibah National Company for Water and Power of all dividends that have been approved by the shareholders and are payable from SAMAWEC pursuant to a Saudi law assignment of dividends agreement;
- (k) assignment by Shuqaiq Arabian Water and Electricity Company of all dividends that have been approved by the shareholders and are payable from Shuqaiq International Water and Electricity Company pursuant to a Saudi law assignment of dividends agreement;
- (l) assignment by Qurayyah Project Company of all dividends that have been approved by the shareholders and are payable from Qurayyah Investment Company pursuant to a Saudi law assignment of dividends agreement;
- (m) assignment by NOMAC of all dividends that have been approved by the shareholders and are payable from Rabigh Operation and Maintenance Company, and Rabigh Power Company pursuant to a Saudi law assignment of dividends agreement;
- (n) assignment by NOMAC of all dividends payable from Suez NOMAC O&M Holding Company W.L.L and Jubail Operation Holding Company W.L.L pursuant to an English law assignment of dividends;
- (o) assignment by APP of all dividends that have been approved by the shareholders and are payable from NOMAC pursuant to a Saudi law assignment of dividends agreement;
- (p) assignment by ACWA Power of its rights to repayment under any shareholder financing arrangements (other than in the form of a subscription for shares *provided* the same does not give rise to any indebtedness) provided by ACWA Power to APP or the Restricted Companies, pursuant to a Saudi law assignment of shareholder financing agreement; and
- (q) assignment by the Issuer of its rights to repayment of monies advanced to APP or the Restricted Companies, pursuant to a Saudi law assignment agreement.

As of the date of the Offering Memorandum, ACWA Power is currently in the process of restructuring the operations of NOMAC as described under “*The NOMAC Restructuring*.” Following the transfer of shares of NOMAC to NOMAC Holding Company (and any other de minimis shareholder of NOMAC), NOMAC Holding Company (and any other de minimis shareholder of NOMAC) will assign to the Onshore Bond Security Agent for the benefit of the Bondholders and to the Onshore Sukuk Security Agent for the benefit of the holders of the Trust Certificates on a *pro rata* basis all dividends that have been approved by the shareholders and are payable from NOMAC pursuant to a Saudi law assignment of dividends agreement (“**NOMAC Dividends Assignment**”). Following the conversion of NOMAC to a closed joint stock company, NOMAC Holding Company (and any other de minimis shareholder of NOMAC) will also grant a Saudi law pledge over the shares of NOMAC in favor of the Onshore Bond Security Agent for the benefit of the Bondholders and the Onshore Sukuk Security Agent for the benefit of the holders of the Trust Certificates (the “**NOMAC Share Pledge**,” together with the NOMAC Dividends Assignment, the “**Post Closing Bond Collateral**” and together with the Issue Date Bond Collateral, the “**Bond Collateral**”).

The APP Share pledge and the NOMAC Share Pledge will include an undertaking by ACWA Power to grant a share pledge over any new shares issued to ACWA Power by APP and NOMAC, respectively so that all of issued and outstanding Capital Stock of APP and NOMAC (post the completion of the NOMAC Obligations) or any of their successors will remain subject to a valid and binding Lien to secure the obligations of the Issuer under the Indenture.

Upon the enforcement of the Saudi law share pledge over APP, APP's rights to receive fees pursuant to the Project Company's shareholder agreement (which are assigned pursuant to the APP English law assignment agreement outlined at ((f) above) will terminate.

Upon the enforcement of the Saudi law share pledge over NOMAC, APP's rights to receive fees pursuant to Rabigh Power Company's shareholders' agreement (which are assigned pursuant to the APP English law assignment agreement outlined at ((f) above) will terminate.

Any additional security interests that are in the future pledged to secure obligations under the Bonds, the Indenture and the Bond Security Documents will also constitute Bond Collateral.

The Saudi law governed Bond Security Documents will secure obligations consisting of the principal amount outstanding under the Bonds as well as the Indenture and the Promissory Notes issued pursuant to the Indenture.

Pursuant to the APMI One Share Pledge, the Offshore Bond Security Agent will agree, on behalf of the Bondholders, that, notwithstanding the security interest created in the Capital Stock of the Issuer, the Offshore Bond Security Agent and Bondholders will have no direct right or interest in the Issuer Excluded Assets, whether before or after enforcement of security over the Capital Stock of the Issuer. In addition, the provisions of any advance or other loan made by the Issuer to other ACWA Power Group entities (which are not Restricted Companies) on or after the Issue Date, including with any net proceeds from the Bond Offering, will provide that such advance or loan will be forgiven upon a change in control of the Issuer. The Offshore Bond Security Agent will, pursuant to the APMI One Share Pledge, on behalf of the Bondholders, acknowledge, consent and agree to the foregoing provisions of any such advance or other loan and irrevocably waive any right or claim that the foregoing provisions of any such advance or loan constitute a fraudulent conveyance or other violation of laws intended to protect, or for the benefit of, creditors. See *"Risk Factors—Risks Relating to the Bond Collateral—The value of the Bond Collateral securing the Bonds may not be sufficient to satisfy our obligations under the Bonds and the Bond Collateral securing the Bonds may be reduced or diluted under certain circumstances."*

All Liens securing the Bonds will be held by the Offshore Bond Security Agent or the Onshore Bond Security Agent acting on behalf of the Bondholders and administered pursuant to the Bond Security Documents and shall be subject to the Collateral Coordination Agreement.

If there are no Trust Certificates issued after the Issue Date (as permitted by the Indenture) and outstanding, the Bond Collateral will also secure, on an equal and ratable basis, the liabilities under any Additional Bonds. If there are Trust Certificates issued after the Issue Date (as permitted by the Indenture) and outstanding and if Additional Bonds issuance is permitted under the Indenture, the collateral securing the Bonds and the Trust Certificates to the extent Trust Certificates are issued may be released and retaken to allow the Additional Bonds to share the collateral on a *pro rata* basis, which may create new hardening periods. See *"Risk Factors—Risks Related to the Bonds—Risks Related to the Bond Collateral—The granting of the Bond Collateral in the future in connection with any release of Sukuk Collateral prior to the maturity of the Bonds, granting of a new or additional security interest, or in transactions permitted under the "Merger and Consolidation" covenant in the Indenture, may create or restart hardening periods and the Bond Collateral may be challenged or voidable in accordance with the laws applicable in certain jurisdictions."* The Bond Collateral (excluding the security over the Accounts, the assignment of loans by the Issuer to APP or the other Restricted Companies and the pledge over the Issuer's shares which will be pledged solely in favor of the Onshore Bond Security Agent and Offshore Bond Security Agent, as appropriate, on behalf of the Bondholders) will secure the liabilities in respect of the Bonds while a proportionate security interest over the same assets, but under separate security documents, will be granted in favor of the holders of the Trust Certificates (if any). Both collateral packages will be subject to the Collateral Coordination Agreement, as described below. The proceeds from the enforcement of the Collateral may not be sufficient to satisfy the obligations owed to the holders of the Bonds. See *"Risk Factors—Risks Related to the Bonds and the Bond Collateral—Risks Related to the Bond Collateral—The value of the Bond Collateral securing the Bonds may not be sufficient to satisfy our obligations under the Bonds and the Bond Collateral securing the Bonds may be reduced or diluted under certain circumstances."*

Under the terms of the Saudi law-governed assignment agreements ("**KSA Assignment Agreements**"), various ACWA Power entities (collectively, the "**KSA Collateral Providers**") will assign to the Onshore Bond Security Agent for the benefit of the Bondholders and to the Onshore Sukuk Security Agent for the benefit of the holders of the Trust

Certificates on a *pro rata* basis all dividends that have been approved by the shareholders and that are payable. The KSA Assignment Agreements envisage that upon the declaration of dividends, the KSA Collateral Providers will execute a further assignment notice in respect of such dividends, whereby effectively attaching the assignment to such dividends to comply with the requirements of Shari'ah which require that the subject matter of an assignment to be in existence at the time of the assignment. Until the KSA Collateral Providers execute the required further assignment notices in respect of dividends upon approval of dividends by the respective shareholders, the Onshore Bond Security Agent and the Onshore Sukuk Security Agent will not obtain a valid and enforceable security interest in such dividends. See "*Risk Factors—Risks Related to the Bonds and the Bond Collateral—Risks Related to DIFC and Saudi Arabian Law—Certain Agreements related to the Collateral may not be enforceable under the laws of the Kingdom of Saudi Arabia.*" Additionally, the security interests may be subject to certain other limitations on enforceability. See "*Risk Factors—Risks Related to the Bonds and Bond Collateral.*"

In addition, the Indenture and the assignments of the dividends and fees specified above will include the following irrevocable instructions (together, the "**Irrevocable Instructions**") from:

- (a) APP to Bowarege, RAWEC and AMWEC;
- (b) Shuaibah National Company for Water and Power to SAMAWEC;
- (c) Shuqaiq Arabian Water and Electricity Company to Shuqaiq International Water and Electricity Company;
- (d) Rabigh Project Company to RABEC;
- (e) Qurayyah Project Company to Qurayyah Investment Company;
- (f) APP to NOMAC;
- (g) following the transfer of shares of NOMAC to NOMAC Holding Company (and any other *de minimis* shareholder of NOMAC), NOMAC Holding Company (and any other *de minimis* shareholder of NOMAC) to NOMAC;
- (h) NOMAC to Jubail Operation Holdings Company W.L.L, Suez NOMAC O&M Holding Company W.L.L, Rabigh Operation and Maintenance Company and Rabigh Power Company;
- (i) APP to RAWEC, and Rabigh Power Company;
- (j) ACWA Power to NOMAC; and
- (k) Rabigh Project Company to RABEC,

that all of the foregoing cash flows will be deposited by the relevant entities into the Collection Account. See "*—Accounts—Deposits of Funds into the Collection Account.*" During such time as there are amounts owing to NOVA from SGA Marafiq Holding W.L.L under certain affiliate loans, there will be an irrevocable payment undertaking in place from NOVA in relation to ACWA Power's 33.3% share of all dividends and 33.3% share of all affiliate loan repayments received from SGA Marafiq Holding W.L.L. The above cash flows will be divided proportionately between the Bonds and the Trust Certificates and documented pursuant to separate irrevocable instructions in the Sukuk Security Documents and the Bond Security Documents, respectively. The cash flows related to the Trust Certificates will be deposited in the APMI Two collection account.

Additionally, the Irrevocable Instructions will provide that pending the application of the Excess Proceeds from a Restricted Company Asset Sale in accordance with the "*—Mandatory Redemption*" provision, such Excess Proceeds will be deposited in the Redemption Account.

Bond Security Documents

Each of the Bond Security Documents granting the Liens over the Bond Collateral will be entered into between the person granting the lien over the Bond Collateral and the Offshore Bond Security Agent or the Onshore Bond Security Agent, as the case may be, each acting for itself and on behalf of the Bond Trustee and the Bondholders. Subject to the terms of, and limitations under, the Bond Security Documents and the Collateral Coordination Agreement, these security interests will secure the payment and performance when due of the obligations of the Issuer under the Bonds, the Indenture and the Bond Security Documents.

Subject to the terms of the Indenture, the Collateral Coordination Agreement, the Irrevocable Instructions and the Bond Security Documents, the Issuer and the relevant companies will have the right to remain in possession and retain exclusive control of the Bond Collateral securing the Bonds. In addition, the pledgors under the APP Share Pledge, APMI One Share Pledge and the NOMAC Share Pledge will be entitled, subject to the terms of the Indenture and the Bond Security Documents, to exercise any and all voting rights in respect of the shares that are part of the Bond Collateral.

By accepting a Bond, each Bondholder will be deemed to have irrevocably appointed the Offshore Bond Security Agent and the Onshore Bond Security Agent pursuant to the Collateral Co-ordination Agreement to act as its agents under the Bond Security Documents, to exercise any incidental rights, power and discretions and to execute each document expressed to be executed by the relevant Security Agent on its behalf.

The Bond Security Documents will be governed by the laws of the Kingdom of Saudi Arabia, the DIFC and English law. Any disputes in relation to the Bond Security Documents shall be referred to and resolved by arbitration in accordance with the Arbitration Rules of the London Court of International Arbitration. Alternatively, the Security Agent may at its sole discretion, by notice in writing to the relevant assignor and subject to certain conditions, require that the dispute be heard by a court (in the case of the English law and DIFC Law Bond Security Documents this will be the English or DIFC Courts, and in the case of Bond Security Documents governed by the Laws of the Kingdom of Saudi Arabia, this will be the Courts of Saudi Arabia, or in either case any other Court with jurisdiction). This is for the benefit of the Security Agent only and the Security Agent may take proceedings relating to a dispute in any other courts with jurisdiction.

Releases

The Issuer and the other parties providing security will be entitled to the release of the property and other assets constituting the Bond Collateral securing the Bonds:

- (a) upon the payment in full of principal, interest, premium, the Additional Amounts and all other obligations on the Bonds;
- (b) upon satisfaction and discharge of the Indenture as described under the caption “—*Satisfaction and Discharge of the Indenture*”;
- (c) upon a defeasance of the Bonds as described under the caption “—*Defeasance*”;
- (d) if any of the Bond Collateral shall be sold or disposed of to any Person other than Issuer or the Restricted Companies in a transaction (but excluding any transaction subject to “—*Certain Covenants—Merger and Consolidation*”) permitted under the Indenture (including but not limited to the requirements set forth under the caption “—*Mandatory Redemption*”), the Bonds and the Bond Security Documents in each case, subject to the Collateral Coordination Agreement;
- (e) in accordance with the Collateral Coordination Agreement and to the extent applicable any Additional Collateral Coordination Agreement as described under “*Description of Certain Other Financing Arrangements of Restricted Companies—Collateral Coordination Agreement*”;
- (f) as described under “—*Amendments and Waivers—Amendments with the Consent of Bondholders*”; and
- (g) as described under “—*Certain Covenants—No Impairment of Security Interest*”.

The Bond Trustee, the Offshore Bond Security Agent and the Onshore Bond Security Agent (as applicable) will take all necessary action required to effectuate any release of Bond Collateral, in accordance with the provisions of the Indenture, the Bond Security Documents, the Collateral Coordination Agreement and any Additional Collateral Coordination Agreement. Each of the releases set forth above shall be effected by the Offshore Bond Security Agent or the Onshore Bond Security Agent (as applicable) without the consent of the Bondholders.

Collateral Coordination Agreement

On the Issue Date, the Bond Trustee will enter into the Collateral Coordination Agreement with, among others, the Offshore Bond Security Agent and the Onshore Bond Security Agent as described under “*Description of Certain Other Financing Arrangements of Restricted Companies—Collateral Coordination Agreement*.” Any proceeds received upon any enforcement over any Bond Collateral (other than the security interests over the Accounts and the shares of the Issuer which are pledged solely in favor of the Offshore Bond Security Agent on behalf of the Bondholders) will be applied in accordance with the Collateral Coordination Agreement.

The Indenture will also provide that each Bondholder, by accepting such Bond, will be deemed to have:

- (a) appointed the Bond Trustee and authorized the Bond Trustee, the Offshore Bond Security Agent and the Onshore Bond Security Agent to give effect to provisions in the Collateral Coordination Agreement and any Additional Collateral Coordination Agreement;
- (b) authorized each of the Bond Trustee, the Offshore Bond Security Agent and the Onshore Bond Security Agent to become a party to any Additional Collateral Coordination Agreement;
- (c) agreed to be bound by the provisions of the Collateral Coordination Agreement and any Additional Collateral Coordination Agreement; and
- (d) irrevocably appointed the Bond Trustee and irrevocably appointed or acknowledged the appointment under the Collateral Coordination Agreement and any Additional Collateral Coordination Agreement of the Offshore Bond Security Agent and the Onshore Bond Security Agent to act on its behalf and, in each case, to enter into and comply with the provisions of the Collateral Coordination Agreement and any Additional Collateral Coordination Agreement.

Optional Redemption

The Issuer may, at its option, redeem the Bonds, in whole or in part, at anytime at a redemption price equal to: (a) 100% of the outstanding principal amount of the Bonds to be redeemed, plus (b) any Additional Amounts (as defined above) and accrued and unpaid interest on the principal amount being redeemed to (but excluding) the redemption date, subject to the right of the Bondholders of record on the relevant Record Date to receive interest and Additional Amounts, if any, on the relevant interest payment date to the extent that such date precedes the redemption date, plus (c) the Make-Whole Premium; *provided* that the Issuer has provided not less than 10 (ten) nor more than 60 (sixty) calendar days' prior written notice thereof to the Bondholders being redeemed. The Bond Trustee shall deliver the notice of redemption to the Bondholders in the name and expense of the Issuer if provided with at least three Business Days prior written notice (or such shorter period as may be agreed to by the Bond Trustee).

In the event of a partial redemption of the Bonds pursuant to this section, such redemption will be applied to reduce each remaining scheduled semi-annual amortization amount of the Bonds on a *pro rata* basis.

Mandatory Redemption

In the event that any of the following events occurs, the Issuer will be required to redeem a portion of the Bonds on a *pro rata* basis upon not less than ten (10) nor more than sixty (60) calendar days' notice at the redemption prices specified below:

- (a) receipt by any Restricted Company of Net Proceeds from a Restricted Company Asset Sale;
- (b) receipt by any Restricted Company of Net Proceeds from an Insurance Event;
- (c) receipt by any Restricted Company of Net Proceeds from an Expropriation Event to the extent that any excess proceeds remain after application of such funds in accordance with the Project Documents; and
- (d) receipt by any Restricted Company of Net Proceeds from a Refinancing Event,

each a "Mandatory Redemption Event."

Notwithstanding the foregoing, the Issuer will not be required to redeem any Bonds until the aggregate Net Proceeds received by any Restricted Company from all Mandatory Redemption Events specified in sub-sections (a)-(d) above after the Issue Date exceed \$50 million, in which case such amount in excess of \$50 million ("**Excess Proceeds**") shall be used to redeem the Bonds and to the extent any Trust Certificates are issued, such Trust Certificates on a *pro rata* basis; *provided* that the Issuer will not be required to redeem the Bonds and the trust Certificates: (x) until the amount of Excess Proceeds exceed \$5.0 million; (y) if such Excess Proceeds are invested (or committed to be reinvested) pursuant to clause (a) of the definition of Permitted Investments within 365 days after receipt of such amounts *provided* that the Issuer delivers an Officer's Certificate to the Bond Trustee certifying that such Permitted Investment has been made or committed to be made within the specified time period; or (z) if the Projected Debt Service Coverage Ratio for the next 12 (twelve) months commencing on the date immediately following the occurrence of the relevant Mandatory Redemption Event, on a *pro forma* basis taking into account such Mandatory Redemption Event, would be equal to or greater than the Projected Debt Service Coverage Ratio for the same period had such Mandatory Redemption Event not occurred; *provided* that the Issuer will have delivered to the Bond Trustee an Officer's Certificate setting forth in good faith all information necessary to calculate the Projected Debt Service Coverage Ratio and certifying that the Issuer is in compliance with the requirements set out in the Mandatory Redemption provision.

The redemption price with respect to the Bonds will be calculated as follows:

- (a) in respect of events set forth in sub-sections (a) and (d) above, at a price equal to (i) 100% of the outstanding principal amount of the Bonds to be redeemed, plus (ii) any Additional Amounts and accrued and unpaid interest on the principal amount being redeemed to (but excluding) the redemption date, subject to the right of the Bondholders of record on the relevant Record Date to receive interest and Additional Amounts, if any, on the relevant interest payment date to the extent that such date precedes the redemption date, plus (iii) the Make-Whole Premium; *provided, however*, that no Make-Whole Premium shall be payable if the specified action triggering any such event is required by applicable law or in the case of (d) above is a Refinancing Event that has not been initiated by ACWA Power or any Restricted Company; *provided* that ACWA Power and the Restricted Companies would have, to the extent there was such a vote or other approval process, voted against or opposed such Refinancing Event; and
- (b) in respect of events set forth in sub-sections (b) and (c) above, at a price equal to (i) 100% of the outstanding principal amount of the Bonds to be redeemed, plus (ii) any Additional Amounts and accrued and unpaid interest on the principal amount being redeemed to (but excluding) the redemption date, subject to the right of

the Bondholders of record on the relevant Record Date to receive interest and Additional Amounts, if any, on the relevant interest payment date to the extent that such date precedes the redemption date.

Pending the application of any such Net Proceeds to the redemption of Bonds, the Net Proceeds shall constitute part of the Bond Collateral and the Sukuk Collateral (to the extent any Trust Certificates are issued) on a *pro rata* basis and the amount allocated to the Bond shall be deposited in an account in the name of the Issuer but controlled by, and pledged in favor of, the Offshore Bond Security Agent on behalf of the Bondholders (the “**Bond Redemption Account**”).

If any event occurs giving rise to a mandatory redemption of the Bonds as described above, the Issuer will promptly notify the Bond Trustee and the Paying Agent of the relevant event at least 10 (ten) calendar days, but not more than 60 (sixty) calendar days, prior to the redemption date specified in such notice to the Bond Trustee and the Paying Agent, which will be the next payment date, and the Bond Trustee will promptly notify each Bondholder at the Bondholder’s address of record.

Selection and Notice

If less than all of the Bonds are to be redeemed at anytime, the Bond Trustee or the Registrar, as applicable, will select the Bonds for redemption in compliance with the requirements of the principal securities exchange, if any, on which the Bonds are listed, as certified to the Bond Trustee or the Registrar, as applicable, by the Issuer, and in compliance with the requirements of DTC, or if the Bonds are not so listed or such exchange prescribes no method of selection and the Bonds are not held through DTC or DTC prescribe no method of selection, on a *pro rata* basis; *provided, however*, that no Bond of \$200,000 in aggregate principal amount or less shall be redeemed in part and only Bonds in integral multiples of \$1,000 will be redeemed. Neither the Bond Trustee, the Paying Agent nor the Registrar will be liable for any selections made by it in accordance with this paragraph.

For so long as the Bonds are listed on the Irish Stock Exchange and the rules of the Irish Stock Exchange so require, the Issuer shall publish notice of redemption in a daily newspaper with general circulation in Ireland (which is expected to be the *Irish Times*) and in addition to such publication, not less than 10 (ten) calendar days nor more than 60 (sixty) calendar days prior to the redemption date, mail such notice to Bondholders by first-class mail, postage prepaid, at their respective addresses as they appear on the registration books of the Registrar. Such notice of redemption may instead be published on the website of the Irish Stock Exchange (www.ise.ie).

If any Bond is to be redeemed in part only, the notice of redemption that relates to that Bond shall state the portion of the principal amount thereof to be redeemed, in which case a portion of the original Bond will be issued in the name of the Bondholder thereof upon cancellation of the original Bond. In the case of a Global Bond, an appropriate notation will be made on such Bond to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Subject to the terms of the applicable redemption notice (including any conditions contained therein), Bonds called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Bonds or portions of them called for redemption.

Optional Redemption for Tax Reasons

The Bonds may be redeemed, without a Make-Whole Premium, at the Issuer’s election, in whole but not in part, on any date prior to the final Maturity Date by giving of notice as provided herein, at a price equal to (i) 100% of the outstanding principal amount thereof, plus (ii) any Additional Amounts and accrued and unpaid interest on the principal amount being redeemed to (but excluding) the redemption date, subject to the right of the Bondholders of record on the relevant Record Date to receive interest and Additional Amounts, if any, on the relevant Payment Date to the extent such date precedes the redemption date, if, as a result of:

- (a) any change in, or amendment to, the laws or treaties (or any regulations or rulings promulgated thereunder) of the Relevant Jurisdiction (as defined above) affecting taxation, which change or amendment has not been formally announced before and which becomes effective on or after the Issue Date (or, if the Relevant Jurisdiction has changed since the Issue Date, the date on which such new jurisdiction becomes an applicable Relevant Jurisdiction); or
- (b) any change in, or amendment to, the existing position or the introduction of a position by a Tax authority in a Relevant Jurisdiction (including by way of an assertion of liability, an audit, or a request for information, by the Saudi General Authority for Zakat and Tax or successor entity, based on or in respect of the source of payments under or in respect of the Bonds or of bonds issued by a comparable issuer) regarding the application, administration or interpretation of such laws, treaties, regulations or rulings, which change, amendment or introduction, application, administration or interpretation has not been formally announced before and becomes effective on or after the Issue Date (or, if the Relevant Jurisdiction has changed since the Issue Date, the date which such new jurisdiction becomes an applicable Relevant Jurisdiction) (each of the foregoing clauses (a) and (b), a “**Change in Tax Law**”);

(x)(i) the Issuer has become or would become obligated to pay any Additional Amounts on the Payment Date immediately following such Change in Tax Law if such Change in Tax Law is with respect to a Relevant Jurisdiction other than the Kingdom of Saudi Arabia, or (ii) the Issuer has become or would become or reasonably determines that more likely than not it would become obligated to pay Additional Amounts on any Payment Date following such Change in Tax Law in excess of Additional Amounts that would be payable if the withholding tax rate were 5%, or ACWA Power or any of its Saudi affiliates has become or would become or the Issuer reasonably determines that more likely than not ACWA Power or such affiliate would become obligated to pay any Tax to the Kingdom of Saudi Arabia attributable to or in lieu of Saudi withholding tax on the Bonds at a rate in excess of 5%, if such Change in Tax Law is with respect to the Kingdom of Saudi Arabia, and (y) the Issuer determines in good faith that such obligation cannot be avoided by taking commercially reasonable measures available to the Issuer. Notwithstanding anything to the contrary set forth herein, the Issuer shall not be entitled to make the election to redeem the Bonds, contemplated under this caption “—*Optional Redemption for Tax Reasons*” on the basis that (or as a result of) the jurisdiction of the Paying Agent having changed unless changed at the request of the Bond Trustee. For this purpose, commercially reasonable measures will not include any change in the Issuer’s jurisdiction of establishment, incorporation or organization.

Notice of any such optional tax redemption will be sent at least 10 (ten) calendar days but not more than 60 (sixty) calendar days before the redemption date to the Bondholders to be redeemed. Prior to the giving of notice of redemption of such Bonds pursuant to the Indenture, the Issuer will deliver to the Bond Trustee (a) an Officer’s Certificate to the effect that, in the Issuer’s reasonable judgment, the relevant factual situation described in clauses (x)(i) or (x)(ii) above cannot be avoided by the Issuer taking commercially reasonable measures to avoid it, and (b) a written Opinion of Counsel independent of the Issuer in the Relevant Jurisdiction, to the effect that the Issuer has or will become or, in the case of the Kingdom of Saudi Arabia, has reasonably determined that more likely than not it would become obligated to pay such Additional Amounts, or ACWA Power or any of its Saudi affiliates has become or would become, or the Issuer has reasonably determined that more likely than not ACWA Power or such affiliate would become, obligated to pay such Tax to the Kingdom of Saudi Arabia, in any such case as a result of such Change in Tax Law. The Bond Trustee will accept such officer’s certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, without further inquiry, in which event it will be conclusive and binding on the Bondholders.

The foregoing provisions shall apply *mutatis mutandis* to any successor Person, after such successor Person becomes a party to the Indenture.

Change of Control Repurchase of Bonds

Within 10 (ten) Business Days following the occurrence of a Change of Control, the Issuer must give notice thereof to the Bond Trustee and the holders of the Bonds, and within 25 (twenty-five) Business Days following the occurrence of a Change of Control, the Issuer or another Person must make an offer to purchase all of the Bonds then outstanding at a purchase price equal to (i) 101% of the outstanding principal amount of the Bonds being purchased, *plus* (ii) Additional Amounts and accrued and unpaid interest to the date of purchase, subject to the right of the holders of Bonds of record on the relevant record date to receive interest and Additional Amounts, if any, on the relevant interest payment date to the extent that such date precedes the purchase date (the “**Change of Control Offer**”). Upon expiration of the Change of Control offer period, the Issuer will be required to purchase all of the Bonds properly tendered in response to the Change of Control offer.

For so long as the Bonds are listed on the Irish Stock Exchange and the rules of such exchange so require, the Issuer will publish notices relating to the Change of Control Offer in a daily newspaper with general circulation in Ireland (which is expected to be the *Irish Times*) or to the extent and in the manner permitted by such rules, post such notices on the official website of the Irish Stock Exchange (www.ise.ie).

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations (or rules of any exchange on which the Bonds are then listed) in connection with the repurchase of Bonds pursuant to this covenant. To the extent that the provisions of any securities laws or regulations (or exchange rules) conflict with provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations (or exchange rules) and will not be deemed to have breached its obligations, or be required to repurchase Bonds, under the Change of Control provisions of the Indenture by virtue of the conflict.

The Issuer’s ability to pay cash to the Bondholders following the occurrence of a Change of Control may be limited by the Issuer’s then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Bonds. See “*Risk Factors—Risks Related to the Bonds and the Bond Collateral—Risks Related to the Bonds—We may not be able to raise the funds necessary to finance a change of control offer required by the Indenture.*”

The definition of “Change of Control” includes a disposition of all or substantially all of the property and assets of the Restricted Companies taken as a whole to specified other Persons. Although there is limited case law interpreting the phrase “substantially all,” there is no precise established definition of the phrase “substantially all” under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of “all or substantially all” of the property or assets of a Person. As a result, it may be unclear as to whether a Change of Control has occurred and whether a Bondholder may require the Issuer to make an offer to repurchase the Bonds as described above.

The provisions of the Indenture relating to the Issuer’s obligation to make an offer to repurchase the Bonds as a result of a Change of Control may be waived or modified with the written consent of Bondholders of a majority in outstanding aggregate principal amount of the Bonds under the Indenture.

Sinking Fund

The Issuer will not be required to make sinking fund payments with respect to the Bonds.

Accounts

Establishment of Accounts

The Issuer will establish and maintain the following accounts in its name:

- (a) a collection account, a U.S. Dollar denominated segregated account established in the DIFC (the “**Collection Account**”);
- (b) a debt service reserve account, a U.S. Dollar denominated segregated account, which may be a sub-account of the Collection Account, established in the DIFC (the “**Debt Service Reserve Account**”);
- (c) a redemption account, a U.S. Dollar denominated segregated account established in the DIFC, which may be a sub-account of the Collection Account (the “**Bond Redemption Account**” and together with the Collection Account, the Debt Service Reserve Account and the Distribution Account, the “**Accounts**”); and
- (d) a distribution account, a U.S. Dollar denominated segregated account (the “**Distribution Account**”).

The Issuer will have no other accounts other than the Accounts. The Issuer has no right to withdraw funds from the Accounts except under the circumstances and subject to the conditions set forth in the Transaction Documents.

The Collection Account, the Debt Service Reserve Account and the Bond Redemption Account will be pledged as security in favor of the Offshore Bond Security Agent for the benefit of the Bondholders. See “—*Bond Collateral.*” There will be no security granted over the Distribution Account.

Funds on deposit in the Collection Accounts may be invested in Eligible Investments pending application in accordance with the Indenture, *provided that* (i) no Default or Event of Default has occurred and is continuing (or would result immediately or directly thereafter therefrom); and (ii) all funds received in respect of such Eligible Investments upon sale or repayment of such Eligible Investments shall be immediately available to be transferred to the Debt Service Reserve Account or the Collection Account on each Payment Date as required by the Indenture and the other Transaction Documents.

For the avoidance of doubt, any Excess Proceeds received by any Restricted Company from a Restricted Company Asset Sale, Insurance Event, Expropriation Event or Refinancing Event will be deposited in the Bond Redemption Account and (to the extent any Trust Certificates are issued, the redemption account established under the Sukuk Documents on *pro rata* basis) and applied in accordance with the terms set forth in “—*Mandatory Redemption*” above and the terms of the Sukuk Documents.

Deposits of Funds into the Collection Account

On and from the Issue Date:

- (a) APP will irrevocably instruct Bowarege and RAWEC to deposit directly into the Collection Account all dividends APP is entitled to receive, pursuant to a Saudi law assignment of dividends agreement and in any event APP shall immediately deposit into the Collection Account any dividends it has received from Bowarege or RAWEC;
- (b) APP will irrevocably instruct Aqua Marafiq Water & Electricity Company Limited to deposit directly into the Collection Account all dividends APP is entitled to receive, pursuant to an English law assignment of dividends agreement and in any event APP shall immediately deposit into the Collection Account any dividends it has received from Aqua Marafiq Water & Electricity Company Limited;
- (c) Shuaibah National Company for Water and Power will irrevocably instruct SAMAWEC to deposit directly into the Collection Account all dividends Shuaibah National Company for Water and Power is entitled to receive, pursuant to a Saudi law assignment of dividends agreement and in any event Shuaibah National Company for Water and Power shall immediately deposit into the Collection Account any dividends it has received from SAMAWEC;

- (d) Shuqaiq Arabian Water and Electricity Company will irrevocably instruct Shuqaiq International Water and Electricity Company to deposit directly into the Collection Account all dividends Shuqaiq Arabian Water and Electricity Company is entitled to receive, pursuant to a Saudi law assignment of dividends agreement and in any event Shuqaiq Arabian Water and Electricity Company shall immediately deposit into the Collection Account any dividends it has received from Shuqaiq International Water and Electricity Company;
- (e) Rabigh Project Company will irrevocably instruct RABEC to deposit directly into the Collection Account all dividends Rabigh Project Company is entitled to receive, pursuant to a Saudi law assignment of dividends agreement and in any event Rabigh Project Company shall immediately deposit into the Collection Account any dividends it has received from RABEC;
- (f) Qurayyah Project Company will irrevocably instruct Qurayyah Investment Company to deposit directly into the Collection Account all dividends Qurayyah Project Company is entitled to receive, pursuant to a Saudi law assignment of dividends agreement and in any event Qurayyah Project Company shall immediately deposit into the Collection Account any dividends it has received from Qurayyah Investment Company;
- (g) APP will irrevocably instruct NOMAC to deposit directly into the Collection Account all dividends APP is entitled to receive, pursuant to a Saudi law assignment of dividends agreement and in any event APP shall immediately deposit into the Collection Account any dividends it has received from NOMAC;
- (h) NOMAC will irrevocably instruct Suez NOMAC O&M Holding Company W.L.L and Jubail Operation Holdings Company W.L.L to deposit directly into the Collection Account all dividends NOMAC is entitled to receive, pursuant to an English law assignment of dividends agreement and in any event NOMAC shall immediately deposit into the Collection Account any dividends it has received from Suez NOMAC O&M Holding Company W.L.L or Jubail Operation Holdings Company W.L.L;
- (i) NOMAC will irrevocably instruct Rabigh Operation and Maintenance Company and Rabigh Power Company to deposit directly into the Collection Account all dividends NOMAC is entitled to receive, pursuant to a Saudi law assignment of dividends agreement and in any event NOMAC shall immediately deposit into the Collection Account any dividends it has received from Rabigh Operation or Maintenance Company and Rabigh Power Company;
- (j) APP will irrevocably instruct RAWEC IWSPP to deposit directly into the Collection Account all fees APP is entitled to receive in relation to a limestone supply agreement, pursuant to a Saudi law assignment of receivables agreement and in any event shall immediately deposit into the Collection Account any such fees APP has received from the RAWEC IWSPP;
- (k) APP will irrevocably instruct RAWEC IWSPP and Rabigh Power Company to deposit directly into the Collection Account all fees APP is entitled to receive in relation to certain shareholder agreements, pursuant to an English law assignment of fees agreement and in any event shall immediately deposit into the Collection Account any such fees APP has received from the RAWEC IWSPP or Rabigh Power Company;
- (l) ACWA Power will irrevocably instruct NOMAC to deposit directly into the Collection Account all fees ACWA Power is entitled to receive in relation to certain technical services agreements, pursuant to an English law assignment of fees agreement and in any event shall immediately deposit into the Collection Account any such fees ACWA Power has received from the NOMAC; and
- (m) Rabigh Project Company will irrevocably instruct RABEC to deposit directly into the Collection Account all fees Rabigh Project Company is entitled to receive in relation to a management and O&M fees, pursuant to a Saudi law assignment of receivables agreement and in any event shall immediately deposit into the Collection Account any such fees Rabigh Project Company has received from the RABEC.

From and including the completion of the transfer of the shares in NOMAC from APP to NOMAC Holding Company, NOMAC Holding Company (and any other *de minimis* shareholder of NOMAC) will irrevocably instruct NOMAC to deposit directly into the Collection Account all dividends NOMAC Holding Company (and any other *de minimis* shareholder of NOMAC) is entitled to receive, pursuant to a Saudi law assignment of dividends agreement and in any event NOMAC Holding Company (and any other *de minimis* shareholder of NOMAC) shall immediately deposit into the Collection Account any dividends it has received from NOMAC.

During such time as there are amounts owing to NOVA from SGA Marafiq Holding W.L.L under certain affiliate loans, NOVA shall irrevocably undertake to pay into the Collection Account a *pro rata* share of ACWA Power's 33.3% share of all dividends received from SGA Marafiq Holding W.L.L and ACWA Power's 33.3% share of all monies received in repayment of the affiliate loans made by NOVA to SGA Marafiq Holdings W.L.L.

To the extent any Trust Certificates are issued, the above cash flows will be divided proportionately between the Bond and the Trust Certificates and documented pursuant to separate irrevocable instructions in the Sukuk Security Documents and the Bond Security Documents. The cash flows related to the Trust Certificates will be deposited in the APMI Two collection account.

In addition, ACWA Power or its affiliates may at their sole and absolute discretion, deposit money (*provided* that it is in the form of an increase of Capital Stock of the Issuer) into the Collection Account or the Distribution Account from time to time. Any proceeds received from the issuance of Additional Bonds will be initially deposited into the Collection Account.

The Debt Service Reserve Account

The Debt Service Reserve Account will be funded by the Issuer on the Issue Date from the proceeds of the issuance of the Bonds in an amount in cash equal to the amount of Debt Service Reserve Requirement. Thereafter, the Debt Service Reserve Account will, to the extent utilized, be required to be replenished from the Collection Account, so as to maintain the Debt Service Reserve Requirement on an ongoing basis, in accordance with the provisions described below under “—*Payment Waterfall*.”

On the Maturity Date, upon satisfaction and discharge of all amounts payable under the Indenture, the amounts deposited in the Debt Service Reserve Account will be transferred to the Distribution Account.

As an alternative to depositing and/or maintaining the Debt Service Reserve Requirement in cash, ACWA Power may deliver to the Offshore Bond Security Agent one or more direct-pay on-demand irrevocable standby letters of credit issued in favor of the Offshore Bond Security Agent for the benefit of the Bondholders, *provided* that the following conditions are met (i) such letter of credit is provided by a bank with an international rating of at least “BBB” by S&P, or Fitch, or “Baa2” by Moody’s, (ii) such letter of credit is non-recourse to the Issuer and the Restricted Companies, (iii) the letter of credit is irrevocable, unconditional and payable upon request and (iv) such letter of credit is in an amount equal to, when combined with the face amount of any other Letters of Credit held by the Offshore Bond Security Agent for the benefit of the Bondholders and any amounts on deposit in the Debt Service Reserve Account, the applicable Debt Service Reserve Requirement (the “**Letter of Credit**”).

Payment Waterfall

All funds received in the Collection Account will be applied by the Issuer on the relevant Payment Date in the following order:

- *first*, to pay the aggregate amount of fees and expenses due and payable to the Bond Trustee, the Offshore Bond Security Agent, the Onshore Bond Security Agent, the Transfer Agent, the Registrar and the Paying Agent on such Payment Date or prior to such Payment Date;
- *second*, to pay any *de minimis* operating expenses of the Issuer due and payable on such Payment Date;
- *third*, to pay the aggregate amount of accrued interest and Additional Amounts due and payable under the Bonds and Additional Bonds (if any) on such Payment Date;
- *fourth*, to pay the aggregate amount of Scheduled Principal Amount and any premium due and payable under the Bonds and Additional Bonds on such Payment Date;
- *fifth*, to fund the Debt Service Reserve Account up to the Debt Service Reserve Requirement for the relevant Payment Date unless and to the extent such Debt Service Reserve Requirement is replaced by one or more Letters of Credit;
- *sixth*, if:
 - (a) no Default or Event of Default has occurred and is continuing (or would result immediately or directly thereafter therefrom);
 - (b) the Debt Service Reserve Account is fully funded to the Debt Service Reserve Requirement for the relevant Payment Date either with cash, one or more Letters of Credit or a combination of both;
 - (c) the historical Debt Service Coverage Ratio for the twelve month period immediately preceding the relevant Payment Date is greater than or equal to 1.35 to 1.0 and (b) the Projected Debt Service Coverage Ratio for the twelve month period commencing on the date immediately following the relevant Payment Date is greater than or equal to 1.35 to 1.0; and
 - (d) the Issuer will have delivered to the Bond Trustee an Officer’s Certificate setting forth in good faith all information necessary to calculate the Debt Service Coverage Ratio and the Projected Debt Service Coverage Ratio,

then any cash balances remaining in the Collection Account may be transferred to the Distribution Account, *provided* that the Issuer will deliver written instructions to the Offshore Bond Security Agent that funds can be withdrawn and transferred to the Distribution Account as directed by the Issuer (the “**Distribution Instructions**”). The Distribution Instructions will include the certification required in (d) above as well as a certification that the transfer complies with the Indenture. Subject to compliance with the covenant set forth under “—*NOMAC Restructuring and Post Closing Collateral*,” any cash balances transferred to the Distribution Account may be used by the Issuer for any purpose including making Restricted Payments, without any further conditions.

Notwithstanding any other condition, if ACWA Power or its affiliates have provided a Letter of Credit, the Issuer may withdraw from the Debt Service Reserve Account and deposit into the Distribution Account, any cash amount standing to the credit of the Debt Service Reserve Account which (taking into account (i) the face value of the Letter of Credit, together with any other Letter of Credit, and (ii) any cash balance standing to the credit of the Debt Service Reserve Account) exceeds the Debt Service Reserve Requirement at the relevant time.

Certain Covenants

Restricted Payments

The Issuer, APP, and NOMAC will not and APP and NOMAC will not permit any of their respective Subsidiaries who are Restricted Companies to, directly or indirectly:

- (a) declare or pay any dividend or make any other payment or distribution (whether made in cash, securities or other property) on account of the Issuer's or any Restricted Company's Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving the Issuer or any Restricted Company) or to the direct or indirect holders of the Issuer's or any Restricted Company's Equity Interests in their capacity as such other than dividends or distributions payable:
 - i. to the Issuer (including dividends or distributions payable into the Collection Account) or a Restricted Company;
 - ii. solely in Equity Interests (other than Disqualified Stock) of the Issuer;
 - iii. declaration of dividends not paid in cash to ACWA Power and which are set off against an outstanding receivable from ACWA Power in accordance with applicable accounting rules *provided* that such declaration would not be reasonably expected to result in a Material Adverse Effect;
 - iv. solely in non-Kingdom of Saudi Arabia assets or properties or the Capital Stock of Persons whose sole assets and properties consist of non-Kingdom of Saudi Arabia assets or properties (or cash or Eligible Investments directly related to such non-Kingdom of Saudi Arabia assets or properties); and
 - v. by the Restricted Companies to holders of their Equity Interests (other than the Issuer or any Restricted Company) then entitled to participate in such dividends or distributions on no more than a *pro rata* basis; *provided* that, the *pro rata* share of dividends or distributions attributable to the ACWA Power Group (which may be direct or indirect dividends or distributions and to the extent such distributions of any cash flows are restricted by legal or contractual requirements, no less than 95% of such cash flows) has been paid into the Collection Account (which in the event of any indirect cash flows may be so deposited at the time of the distribution of such indirect cash flows).
- (b) purchase, redeem or otherwise acquire or retire for value any Equity Interests of the Issuer or any Equity Interests of any Affiliate of the Issuer held by persons other than the Issuer or a Restricted Company (other than Equity Interests of any Restricted Company or any entity that becomes a Restricted Company as a result thereof or any Equity Interest acquired under clause (a) of the Permitted Investments definition) or any options, warrants or other rights to acquire such Equity Interests;
- (c) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value, any subordinated debt, except a payment of interest or principal at the Stated Maturity thereof (other than any such payments made to or any such purchase, redemption, defeasance or other acquisition for value of subordinated debt held by the Issuer or a Restricted Company);
- (d) make any payment (other than capitalization of interest or principal) on or with respect to, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, any Subordinated Shareholder Funding; or
- (e) make any Restricted Investment,

(all such payments and other actions set forth in clauses (a) through (d) above being collectively referred to as "**Restricted Payments**"), unless such Restricted Payments are made from funds properly deposited in the Distribution Account in compliance with the payment waterfall set out under "*—Payment Waterfall,*" or from funds properly deposited in APMI Two's distribution account in compliance with the Sukuk Documents and in each case in compliance with "*—NOMAC Restructuring and Post Closing Collateral*" ("**Deposited Funds**"). In addition, to the extent that (x) any Deposited Funds are transferred by the Issuer to any Restricted Company prior to making a Restricted Payment such Deposited Funds may be used to make any Restricted Payment and (y) any funds are transferred by APMI Two from its distribution account to any Restricted Company, such funds may be used to make any Restricted Payment.

Incurrence of Indebtedness

The Issuer, APP, and NOMAC will not and APP and NOMAC will not permit any of their respective Subsidiaries who are Restricted Companies to, directly or indirectly, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, “**incur**”) any Indebtedness (including Acquired Indebtedness) other than the following items of Indebtedness (collectively “**Permitted Indebtedness**”):

- (a) the Indebtedness incurred by the Issuer or the Restricted Companies in respect of the Indenture and represented by the Bonds including the Promissory Notes related thereto (*provided, however*, that no Additional Bonds may be incurred pursuant to this clause);
- (b) Indebtedness incurred by NOMAC in respect of a debt facility in an aggregate principal amount not to exceed \$30 million;
- (c) Indebtedness incurred by Floating Ships Company for Water Projects Limited (“**Floating Ship**”) in respect of a debt facility in an aggregate principal amount not to exceed \$10 million;
- (d) the incurrence by the Issuer or any of the Restricted Companies of intercompany Indebtedness between or among the Issuer and any Restricted Companies or among Restricted Companies, *provided* that such intercompany Indebtedness is unsecured;
- (e) (i) the issuance by the Issuer of Additional Bonds following a Permitted Investment (made pursuant to clause (a) of the Permitted Investments) in a Project Company or Expansion Project Company or (ii) to the extent that the aggregate principal amount of Bonds issued on the Issue Date is less than \$1,000 million, the issuance of Additional Bonds and/or Trust Certificates *provided* that the sum of the aggregate principal amount of the Bonds issued on the Issue Date and any Additional Bonds and/or Trust Certificates issued pursuant to this clause (ii) does not exceed \$1,000 million; *provided* that in each of (i) and (ii) above the Issuer has received a Ratings Reaffirmation in connection with such issuance;
- (f) Indebtedness obligations incurred in respect of reimbursement obligations pursuant to undrawn letters of credit or unfunded performance bonds, completion guarantees, surety bonds, bankers’ acceptances or similar bonds, instruments or obligations in the ordinary course of business and in each case directly or indirectly relating to the Project Companies or Expansion Project Companies (but excluding letters of credit and any other guarantees, bonds, instruments or obligations issued in respect of or to secure money borrowed) in an aggregate principal amount at any one time outstanding not to exceed \$150 million, as increased from time to time at the same *pro rata* basis as the increase in the investment cost of the portfolio in the Kingdom of Saudi Arabia (certified in an Officer’s Certificate) pursuant to the establishment of Expansion Projection Companies;
- (g) Indebtedness of the Issuer or a Restricted Company arising from the honoring by a bank or other financial institution of a check, draft, or similar instrument inadvertently (including daylight overdrafts paid in full by the close of business on the day such overdraft was incurred) drawn against insufficient funds in the ordinary course of business; *provided* that such Indebtedness is extinguished within five Business Days of its incurrence;
- (h) Refinancing Indebtedness in respect of Indebtedness incurred pursuant to clauses (a), (b), (c), (e) and (f) hereof; and
- (i) Subordinated Shareholder Funding.

Additionally, each of the Restricted Companies shall not vote its Capital Stock in their respective Subsidiaries, the intermediate holding companies of APP or the Project Bidding Companies, as applicable, or exercise any other corporate or other organizational right therein or take any other action that would result in the Project Bidding Companies who are not Subsidiaries incurring any additional Indebtedness other than any Indebtedness outstanding on the Issue Date, and any Refinancing Indebtedness related thereto.

The accrual of interest, the accretion or amortization of original issue discount, the payment of interest in the form of additional Indebtedness, the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock or the reclassification of commitments or obligations not treated as Indebtedness due to a change in Saudi GAAP will not be deemed to be an incurrence of Indebtedness. Notwithstanding any other provision of this “—*Incurrence of Indebtedness*” covenant, the maximum amount of Indebtedness the Issuer or any Restricted Company may incur shall not be deemed to be exceeded solely as a result of fluctuations in exchange rates or currency values. For purposes of determining compliance with any U.S. Dollar-denominated restriction on the incurrence of Indebtedness, the U.S. Dollar-equivalent principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred.

The outstanding principal amount of any item of Indebtedness will be counted only once (without duplication for guaranties or otherwise).

Anti-Layering

The Issuer will not incur any Indebtedness (including Permitted Indebtedness) that is contractually subordinated in right of payment to any other Indebtedness of the Issuer unless such Indebtedness is also contractually subordinated in right of payment to the Bonds on substantially identical terms; *provided, however*, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Issuer solely by virtue of being unsecured, by virtue of being secured on a junior priority basis or by virtue of the fact that the holders of any secured Indebtedness have entered into Collateral Coordination Agreements giving one or more of such holders priority over the other holders in the Bond Collateral held by them.

Limitation on Liens

The Issuer, APP, and NOMAC will not and APP and NOMAC will not permit any of their respective Subsidiaries who are Restricted Companies to create, incur, assume, suffer to exist, directly or indirectly, any Lien upon any of its property or assets (including Capital Stock of a Restricted Company), whether owned on the Issue Date or hereafter acquired, other than Permitted Liens.

Pursuant to the relevant Bond Security Documents, ACWA Power will not create, incur, assume, suffer to exist, directly or indirectly, any Lien upon the Bond Collateral pledged by it other than Permitted Liens.

Additional Collateral

In the event that all of the liabilities under the Trust Certificates are discharged while the Bonds remain outstanding, contemporaneously with such discharge the Issuer, APP, NOMAC (and pursuant to the relevant Bond Security Documents, ACWA Power) will and will cause each of their respective Subsidiaries who are Restricted Companies to provide security over any released Sukuk Collateral to secure the Conventional Secured Finance Liabilities (as defined in the Collateral Coordination Agreement) and to execute and deliver, or cause to be executed and delivered, such instruments, certificates or documents, and take all such actions in each such case as necessary for the purposes of implementing or effectuating such security in favor of the Offshore Bond Security Agent or the Onshore Bond Security Agent, as the case maybe.

Dividend and Other Payment Restrictions

The Issuer, APP, and NOMAC will not and APP and NOMAC will not permit any of their respective Subsidiaries who are Restricted Companies to, directly or indirectly, create, agree to or permit to exist or become effective any consensual encumbrance or restriction on the ability of the intermediate holding companies of APP and any other Restricted Company to:

- (a) pay dividends or make any other distributions on its Capital Stock to the Issuer or any other Restricted Company, or with respect to any other interest or participation in, or measured by, its profits, or pay any Indebtedness owed to the Issuer or any Restricted Company;
- (b) make loans or advances to the Issuer or any of the Restricted Companies; or
- (c) sell, lease or transfer any of its properties or assets or grant a Lien thereon to the Issuer or any of the Restricted Companies.

However, the preceding restrictions will not apply to encumbrances or restrictions existing under or by reason of:

- (a) the Indenture, the Bonds and the Bond Security Documents;
- (b) the Sukuk Documents provided that they are not more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than the Indenture, as determined in good faith by the Issuer;
- (c) restrictions under applicable law, rule, regulation or order or contained in the constitutional documents of the Issuer or any Restricted Company as in effect on the Issue Date or any amendments to such constitutional documents required by law or such amendments that would not reasonably be expected to have a Material Adverse Effect;
- (d) restrictions pursuant to the existing Project Documents as in effect on the Issue Date and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; *provided* that the amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in those agreements on the Issue Date, as determined by the Issuer in good faith;
- (e) customary non-assignment provisions of any contract and customary provisions restricting assignment or subletting in any lease governing a leasehold interest entered into in the ordinary course of business;
- (f) restrictions with respect to a Restricted Company imposed pursuant to a binding agreement which has been entered into for the sale or disposition of the assets or property of such Restricted Company pending the closing of such sale or disposition *provided* that such restrictions apply only to the assets or property being sold and that sale or disposition is otherwise permitted by the Indenture; and

(g) customary restrictions imposed on the transfer of copyrighted or patented material in the ordinary course of business.

Merger and Consolidation

The Issuer will not consolidate or merge with or into another Person, or assign, transfer, convey, lease or otherwise dispose of all or substantially all of its assets to, any Person (other than payments made out of the Distribution Account in accordance with “—*Restricted Payments*”).

APP, and NOMAC will not and APP and NOMAC will not permit any of their respective Subsidiaries who are Restricted Companies to consolidate or merge with or into another Person, or assign, transfer, convey, lease or otherwise dispose of all or substantially all of the assets of the Restricted Companies taken as a whole to, any Person other than (A) any such transactions pursuant to (i) the NOMAC Restructuring or (ii) any other reorganizations or other similar transactions by and among the Restricted Companies on a solvent basis; *provided* that in each of (i) and (ii) all security interests and/or Irrevocable Instructions attached to any asset subject to such reorganization remains in full force and effect after any such sale or transfer; (B) distributions or payments to the Collection Account or the Distribution Account or in accordance with “—*Restricted Payments*” and “—*Payment Waterfall*” and *pro rata* distributions or payments to APMI Two and payments by APMI Two in accordance with the terms of the Sukuk Declaration of Trust.

There is no precise established definition of the phrase “substantially all” under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve “all or substantially all” of the property or assets of a Person. For the avoidance of doubt, a sale of either NOMAC and its Subsidiaries or APP and its Subsidiaries would involve a sale of all or substantially all of the assets of the Restricted Companies, taken as a whole. Notwithstanding the above, this covenant will not restrict a sale of the shares of APP and its Subsidiaries or NOMAC and its Subsidiaries, in either case, that does not constitute a Change of Control, *provided* that (i) the purchaser will grant a security interest over the shares of APP or NOMAC, as applicable and in the case of NOMAC, an assignment of dividends; (ii) the assignments of cash flows (and related Irrevocable Instructions) by APP and NOMAC continue in full force and effect; and (iii) such sale would not reasonably be expected to result in a Material Adverse Effect.

Asset Sales

The Issuer will not, directly or indirectly, consummate any Issuer Asset Sale. No Restricted Company will, directly or indirectly, consummate any Restricted Company Asset Sale unless (i) such Restricted Company receives cash consideration at the time of the Restricted Company Asset Sale at least equal to the Fair Market Value (measured as of the date of the definitive agreement with respect to such Restricted Company Asset Sale) of the assets or Equity Interests issued or sold or otherwise disposed of and (ii) the Net Proceeds from such Restricted Company Asset Sale are applied in accordance with the Indenture.

After the receipt by a Restricted Company of any Net Proceeds from a Restricted Company Asset Sale, the Restricted Company will apply such Net Proceeds as set forth under “—*Mandatory Redemption*.” Pending the application of any Net Proceeds from a Restricted Company Asset Sale, the Net Proceeds shall constitute part of the Bond Collateral or the Sukuk Collateral as applicable and shall be deposited in the Bond Redemption Account and the redemption account established under the Sukuk Documents, as applicable.

For the avoidance of doubt, the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Restricted Companies taken as a whole will be governed by “—*Change of Control—Repurchase of Bonds*” and/or the provisions described above under the caption “—*Merger and Consolidation*” and not by this covenant.

No Impairment of Security Interest

Subject to the second and third paragraphs of this “—*No Impairment of Security Interest*” covenant, the Issuer, APP, and NOMAC will not and APP and NOMAC will not permit any of their respective Subsidiaries who are Restricted Companies to take, or knowingly or negligently omit to take, any action which action or omission would have the result of impairing any security interest with respect to any of the assets comprising Bond Collateral for the benefit of the Bondholders (including the priority thereof) to the extent that the foregoing would reasonably be expected to result in a Material Adverse Effect, and will not grant to any Person other than the Bond Trustee and the Offshore Bond Security Agent and the Onshore Bond Security Agent, for the benefit of the Bondholders and the other beneficiaries, if any, described in the Bond Security Documents, any interest whatsoever in any of the Bond Collateral (other than Permitted Liens). ACWA Power shall agree pursuant to the Bond Security Documents it is a party to not to take or knowingly or negligently omit to take any action which action or omission would have the result of impairing the security interest with respect to the shares of the Issuer or APP to the extent that the foregoing would reasonably be expected result in a Material Adverse Effect.

The Indenture will provide that, at the direction of the Issuer and without the consent of the Bondholders, the Bond Trustee and/or Bond Security Agent may from time to time enter into one or more amendments, extensions, renewals, restatements, supplements, releases (followed by an immediate retaking of a Lien of at least equivalent parity over the same assets), modifications or replacements to the Bond Security Documents to: (a) cure any ambiguity, mistake, error, omission, defect or inconsistency therein; (b) add to the Bond Collateral; (c) evidence and provide for the acceptance of the appointment of a successor Bond Trustee or Offshore Bond Security Agent or the Onshore Bond Security Agent; (d) make any other change thereto that does not materially impair any security interest over any of the assets comprising the Bond Collateral or otherwise adversely affect the Bondholders in any material respect, (e) in connection with an issuance of Trust Certificates after the Issue Date, provided that (i) the Issuer has received a Sukuk Issuance Ratings Reaffirmation and (ii) immediately after any such release and issuance of Trust Certificates (A) the aggregate principal amount of Bonds (including any Additional Bonds) and Trust Certificates does not exceed \$1,000 million and (B) the Collateral secures the Bonds (including any Additional Bonds) and Trust Certificates on a *pro rata* basis or (f) in connection with a transaction permitted under “—*Certain Covenants—Merger and Consolidation*”; *provided, however*, that in the case of clauses (b), (d), (e) and (f) above, no Bond Security Document may be amended, extended, renewed, restated, supplemented, released (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets) or otherwise modified or replaced, unless contemporaneously with such amendment, extension, renewal, restatement, supplement, release and retaking, modification or renewal, the Issuer delivers to the Bond Trustee either:

- (a) a solvency opinion, in form and substance reasonably satisfactory to the Bond Trustee, from an Independent Financial Advisor confirming the solvency of the Issuer, APP and its Subsidiaries and NOMAC and its subsidiaries, all taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release and retaking, modification or replacement;
- (b) a certificate from the board of directors, the chief executive officer, the chief financial officer or other authorized signatory of the relevant obligor (acting in good faith) that confirms the solvency of the Person granting such Lien after giving effect to any transaction related to such amendment, extension, renewal, restatement, supplement, release and retaking, modification or replacement; or
- (c) an opinion of acceptable legal counsel, in form and substance reasonably satisfactory to the Bond Trustee (subject to customary qualifications and exceptions) confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release and retaking, modification or replacement, the Lien or Liens securing the Bonds created under the Bond Security Document as so amended, extended, renewed, restated, supplemented, released and retaken, modified or replaced remain valid and perfected Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, release and retaking, modification or replacement.

All of the issued and outstanding Capital Stock of the Issuer, APP, NOMAC (post the completion of the NOMAC Obligations) or any of their successors, owned by ACWA Power and its affiliates will remain subject to a valid and binding Lien to secure the obligations of the Issuer under the Indenture, the Bonds, the Promissory Notes and in the case of the Capital Stock of APP and NOMAC, to secure the obligations of APMI Two under the Sukuk Documents on a *pro rata* basis.

Nothing in this covenant will restrict the discharge or release of any security interests in compliance with the provisions set out under the caption “—*Bond Collateral—Releases*.”

In the event that the Restricted Companies and ACWA Power comply with the requirements of this covenant, the Bond Trustee, the Offshore Bond Security Agent and the Onshore Bond Security Agent (as the case maybe) will consent to any such amendment, extension, renewal, restatement, supplement, release and retaking, modification or replacement without the need for any consent or instructions from the Bondholders.

Transactions with Affiliates

The Issuer, APP, and NOMAC will not and APP and NOMAC will not permit any of their respective Subsidiaries who are Restricted Companies to, directly or indirectly enter into any transaction or series of related transactions (including, without limitation, the purchase, sale, lease or exchange of any property or the rendering of any service) with, or for the benefit of, any of its Affiliates (each, an “**Affiliate Transaction**”), unless;

- (a) the terms of such Affiliate Transaction are no less favorable in all material respects to the Issuer or the applicable Restricted Company than those that could reasonably be expected to be obtained in a comparable transaction at such time on an arm’s-length basis from a Person that is not an Affiliate of the Issuer; and
- (b) in the event that such Affiliate Transaction or series of related Affiliate Transactions involves aggregate payments, or transfers of property or services with a Fair Market Value in excess of \$10.0 million (or the equivalent in other currencies), the Issuer will deliver to the Bond Trustee an officer’s certificate, stating that such Affiliate Transaction complies with the requirements of the Indenture.

Notwithstanding the foregoing, the restrictions set forth in the prior paragraph will not apply to:

- (a) any employment agreement, consultant agreement, employee benefit arrangements with any employee, consultant, officer or director of the Issuer or any other Restricted Company, including under any stock option, stock appreciation rights, stock incentive or similar plans, entered into in the ordinary course of business and payments pursuant thereto;
- (b) transactions between or among the Issuer and/or the Restricted Companies;
- (c) transactions between or among ACWA Power, the Restricted Companies, the Project Companies, Shuaibah Expansion Holding Co. Ltd., SCA Marafiq Holding WLL Bahrain, Qurayyah Investment Co. and/or the Expansion Project Companies *provided* that such transactions are (i) related to the Project Companies or Expansion Project Companies' operations in the Kingdom of Saudi Arabia; and (ii) such transactions would not be reasonably expected to have a Material Adverse Effect;
- (d) payment of reasonable and customary fees and reimbursements of expenses (pursuant to indemnity arrangements or otherwise) of and advances to officers, directors, employees or consultants of the Issuer or the Restricted Companies;
- (e) any corporate services agreement, management services agreement, audit services agreement, insurances agreement, reinsurance agreement or similar agreement entered into in the ordinary course of business and payments pursuant thereto;
- (f) any Permitted Investment or Restricted Payments and, in the case of Permitted Investments and Restricted Payments; *provided* that such Permitted Investment or Restricted Investment does not violate the provisions of the Indenture described above under the caption "*Restricted Payments*";
- (g) the entry into and performance of obligations or commitments of the Restricted Companies under the terms of any transaction or series of related transactions arising out of, and any payments pursuant to or for purposes of funding, any agreement or instrument in effect as of or on the Issue Date, as these agreements and instruments may be amended, modified, supplemented, extended, renewed or refinanced from time to time in accordance with the other terms of this covenant or to the extent they would not be reasonably expected to have a Material Adverse Effect; and
- (h) the sale, transfer, issuance, or other disposition in connection with the NOMAC Restructuring of non-Saudi Arabia assets, the capital stock of NOMAC to NOMAC Holding Company and any other *de minimis* shareholder of NOMAC, and certain contractual rights to provide operation and maintenance services by NOMAC to a new operation and maintenance company that will provide such services to the Shuaibah IWPP following completion of the NOMAC Restructuring.

Additional Collateral Coordination Agreements

At the request of the Issuer and upon delivery of an Officer's Certificate and an Opinion of Counsel to the Bond Trustee and the Bond Security Agents, confirming that the requirements set out below are fully satisfied, without the consent of the Bondholders, and at the time of, or prior to, the incurrence by the Issuer or a Restricted Company of Indebtedness permitted under the covenant entitled "*—Incurrence of Indebtedness*" the Issuer, the Bond Security Agents and the Bond Trustee shall enter into with the holders of such Indebtedness (or their duly authorized representatives) an amendment to the Collateral Coordination Agreement or an additional collateral coordination agreement (an "**Additional Collateral Coordination Agreement**") on substantially the same terms as the Collateral Coordination Agreement, including terms with respect to the limitation on enforcement and priority as set forth in the Collateral Coordination Agreement (or on terms more favorable to the Bondholders); *provided*, that such amendment to the Collateral Coordination Agreement or Additional Collateral Coordination Agreement will not impose any personal obligations on the Bond Trustee or on the Bond Security Agents, or adversely affect the rights, duties, liabilities or immunities of the Bond Trustee or of the Bond Security Agents, under the Indenture or the Collateral Coordination Agreement or any Additional Collateral Coordination Agreement. Only one such collateral coordination agreement shall be outstanding at anyone time or, if more than one such collateral coordination agreements are outstanding at anyone time, the collective terms of such collateral coordination agreements must not conflict and must be no more disadvantageous to Bondholders than if the holders of all such Indebtedness were parties to one such agreement.

At the request of the Issuer and upon delivery of an Officer's Certificate and an Opinion of Counsel to the Bond Trustee and the Bond Security Agents confirming that the requirements set out below are fully satisfied, without the consent of Bondholders, and at the time of, or prior to, the incurrence by the Issuer or a Restricted Company of Indebtedness permitted to be incurred under the covenant entitled "*—Incurrence of Indebtedness*", the Issuer, the Bond Security Agents and the Bond Trustee shall enter into one or more amendments to the Collateral Coordination Agreement or any Additional Collateral Coordination Agreement to: (1) cure any defects, ambiguities, omissions or inconsistencies or reflect changes, in each case, of a minor, technical or administrative nature; (2) increase the amount or types of Indebtedness covered by any Collateral Coordination Agreement or Additional Collateral Coordination Agreement that may be incurred by the Issuer or a Guarantor that is subject to any Collateral

Coordination Agreement or Additional Collateral Coordination Agreement (including the addition of provisions relating to new Indebtedness ranking junior or pari passu in right of payment with the Bonds); *provided* that such Indebtedness is incurred in compliance with the Indenture; (3) further secure the Bonds; (4) make provision for the security securing Additional Bonds to rank pari passu with the Bond Collateral or (5) make any other change to any such Collateral Coordination Agreement or an Additional Collateral Coordination Agreement that does not adversely affect the rights of Bondholders in any material respect.

The Issuer shall not otherwise direct the Bond Trustee or the Bond Security Agents, to enter into any amendment to the Collateral Coordination Agreement or any Additional Collateral Coordination Agreement without the consent of the holders of the majority in aggregate principal amount of the Bonds then outstanding, except as otherwise permitted by “—*Amendments and Waivers*” and the Bond Trustee or the Bond Security Agents shall not be required, to enter into any amendment to the extent such amendment imposes any personal obligations on the Bond Trustee or adversely affect the rights, duties, liabilities or immunities of the Bond Trustee or the Bond Security Agents under the Indenture, the Collateral Coordination Agreement or such Additional Collateral Coordination Agreement.

In relation to the Collateral Coordination Agreement or, to the extent applicable, an Additional Collateral Coordination Agreement, the Bond Trustee shall be deemed to have consented on behalf of the Bondholders to any payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Bonds thereby; *provided* that such transaction would comply with the covenant described under “—*Restricted Payments*.”

The Indenture will provide that each Bondholder, by accepting such Bond, will be deemed to have agreed to and accepted the terms and conditions of each of the Collateral Coordination Agreement and Additional Collateral Coordination Agreement and any amendment referred to in this covenant and none of the Issuer, the Bond Trustee, the Offshore Bond Security Agent or the Onshore Bond Security Agent will be required to seek the consent of any Bondholders to perform its obligations under and in accordance with this covenant.

Limitation on Issuer Activities

The Issuer will not engage in any business or activity or undertake any activity or enter into any transaction, except any business, activity or transaction:

- (a) relating to this Offering, any offering of Additional Bonds, including offering, sale, issuance and servicing, listing, purchase, redemption, refinancing, retirement, amendment or exchange of the Bonds and any Additional Bonds permitted to be incurred under the Indenture, the establishment and maintenance of the Accounts, and distributing, lending or otherwise advancing the proceeds from the Offering and any Additional Bonds to other entities in the ACWA Power Group as permitted under the Indenture;
- (b) undertaken with the purpose of, and directly related to, fulfilling its obligations or exercising its rights under the Bonds and any Additional Bonds, the Indenture, the Bond Security Documents or any other document relating to the Bonds or any Additional Bonds or entered into in connection with any investment made pursuant to clause (e) including the incurrence of Permitted Liens;
- (c) related to making Eligible Investments;
- (d) related to or reasonably incidental to the establishment and/or maintenance of the Issuer’s corporate existence;
- (e) directly related to investing (including by loan or other extension of credit) amounts received by the Issuer in such manner permitted by the Indenture; or
- (f) not specifically enumerated above but which activities are *de minimis* in nature.

In addition, unless required by applicable law, the Issuer shall not: (i) take any action which would cause it to no longer satisfy the requirements of an available exemption from the provisions of the U.S. Investment Company Act of 1940, as amended; (ii) amend its constitutive documents in any manner that would materially and adversely affect the rights of the Bondholders; (iii) commence or take any action or facilitate a winding-up, liquidation, dissolution or other analogous proceeding; (iv) form any Subsidiaries or (v) take any action that could reasonably be expected result in its management or control being located in the Kingdom of Saudi Arabia.

The Issuer shall ensure that (i) its Board of Director decisions are taken in the DIFC; (ii) its key management members and officers are resident in the UAE and (iii) its activities are located in the UAE (including but not limited to bank accounts and office space).

In addition, each of APP and NOMAC shall not vote its Capital Stock in their respective Subsidiaries, the intermediate holding companies of APP, the Project Companies, the Expansion Project Companies or the Project Bidding Companies, as applicable, or exercise any other corporate or other organizational right therein or take any other action that would reasonably be expected to result in (i) any violation of any provision of this Indenture, the Bonds or any of the Bond Security Documents or (ii) a Material Adverse Effect.

Consolidated Debt Service Coverage

- (a) For so long as any Bonds remain outstanding, the Issuer shall maintain a historical Consolidated Debt Service Coverage Ratio for each period of twelve months ending on a Payment Date of not less than 1.05 to 1.00.
- (b) Notwithstanding anything to the contrary contained in subparagraph (a) above or clause (d) under the caption “**Events of Default**,” if the Issuer fails to comply with the requirements of the covenant set forth in subparagraph (a) (the “**Financial Covenant**”), then until the 10th Business Day after the related certificate is delivered or required to be delivered pursuant to the Indenture, the Issuer shall have the right to receive cash capital contributions from ACWA Power, directly or indirectly, in an aggregate amount equal to the minimum amount that would have been sufficient to cause compliance with the Financial Covenant for the relevant period (an “**Equity Cure Amount**”); provided that any such Equity Cure Amount will be applied by the Issuer solely to redeem a portion of the Bonds and the Trust Certificates on a pro rata basis in an aggregate principal amount equal to the Equity Cure Amount (“**Equity Cure Redemption**”). The Issuer shall redeem any Bonds pursuant to an Equity Cure Redemption upon not less than ten (10) nor more than sixty (60) days’ notice (“**Equity Cure Redemption Notice**”) at a price equal to (i) 100% of the outstanding principal amount of the Bonds to be redeemed, plus (ii) any Additional Amounts and accrued and unpaid interest on the principal amount being redeemed to (but excluding) the redemption date, subject to the right of the Bondholders of record on the relevant Record Date to receive interest and Additional Amounts, if any, on the relevant interest payment date to the extent that such date precedes the redemption date. For the avoidance of doubt, nothing in this subparagraph (b) shall prevent the Issuer from receiving cash capital contributions in an aggregate amount in excess of the Equity Cure Amount.
- (c) The Issuer shall give the Bond Trustee written notice (the “**Cure Notice**”) of the receipt of any Equity Cure Amount on or before the day such Equity Cure Amount is received by the Issuer.
- (d) Upon the delivery to the Bond Trustee of a Cure Notice, no Default or Event of Default shall be deemed to exist pursuant to the Financial Covenant (and any such Default or Event of Default shall be retroactively considered not to have existed or occurred). If the Equity Cure Redemption Notice is not issued by the Issuer within thirty (30) calendar days after the related certificate is delivered or required to be delivered pursuant to the Indenture, each such Default or Event of Default shall be deemed reinstated.
- (e) The Equity Cure Amount received by the Issuer shall be included solely for purposes of recalculating compliance with the Financial Covenant and to make the Equity Cure Redemption. The Equity Cure Amount and any amount in excess of the Equity Cure Amount received by the Issuer shall not be taken into account for purposes of calculating any Debt Service Coverage Ratio or Projected Debt Service Coverage Ratio.

Lines of Business

APP and NOMAC will not and APP and NOMAC will not permit any of their respective Subsidiaries who are Restricted Companies to engage in any business other than a Similar Business, except to such extent as would not reasonably be expected to have a Material Adverse Effect.

NOMAC Restructuring and Post Closing Collateral

APP (and pursuant to the relevant Bond Security Documents, ACWA Power) shall use, and shall cause NOMAC to use, its commercially reasonable effort to complete the conversion of NOMAC into a closed joint stock company as described under “**NOMAC Restructuring**” and enter into the relevant Bond Security Documents to create the Post Closing Bond Collateral and in connection therewith deliver such agreements, instruments, certificates and opinions of counsel that may be required by the Transaction Documents (all of the foregoing, collectively the “**NOMAC Obligations**”) as soon as practicable after the Issue Date and in any event no later than 180 calendar days after the NOMAC Transfer Date (as defined below) (the “**NOMAC Completion Date**”). To the extent that the NOMAC Obligations are not completed by the NOMAC Completion Date, the Issuer shall not be able to make any distributions from the Distribution Account until the NOMAC Obligations are completed. Failure to complete the NOMAC Obligations after the NOMAC Completion Date shall not be deemed a default in the observance or performance of a covenant or agreement of the Issuer or any Restricted Company in the Indenture or any Transaction Documents unless and until the NOMAC Obligations have not been completed by the date that 360 days after the date that the Capital Stock of NOMAC in an amount exceeding 2% of such Capital Stock is transferred from APP (the “**NOMAC Transfer Date**”). See “**Risk Factors—Risks Related to the APP Group, Projects and NOMAC—The NOMAC Restructuring is subject to third party consents and approvals and we can provide no assurance that it will be completed.**”

Maintenance of Bond Collateral

The Issuer, APP and NOMAC (and pursuant to the relevant Bond Security Documents, ACWA Power) shall and APP and NOMAC will cause their respective Subsidiaries who are Restricted Companies to execute and deliver, or cause to be executed and delivered, such additional instruments, certificates or documents, and take all such actions in each such case as necessary for the purposes of implementing or effectuating the provisions of the Indenture, the Bonds and each of the Bond Security Documents, or of renewing the rights of the Bondholders, in each case with respect to the Bond Collateral as to which the Offshore Bond Security Agent or the Onshore Bond Security Agent, as

the case maybe, for the ratable benefit of the Bondholders, has a perfected Lien except to the extent except to the extent that failure to execute and deliver, cause to be executed and delivered or take such action would not reasonably be expected to have a Material Adverse Effect.

With respect to any Saudi law-governed assignment over dividends, APP and NOMAC will and will cause their respective Subsidiaries who are Restricted Companies to ensure that the relevant notices are issued and all assignment confirmations are entered into (within the time periods provided for under the relevant assignment agreements) to ensure ongoing validity and perfection of the security interest over such Bond Collateral.

Promissory Notes

So long as any Bonds are outstanding, the Issuer will furnish to the Offshore Bond Security Agent, on or before the date falling eleven (11) months after the Closing Date and thereafter at eleven (11) month intervals (each such eleven (11) month period being referred to as a “**Note Period**”):

- (a) one or more demand promissory notes, duly completed and in the form attached to the Indenture, in an aggregate amount equal to the maximum amount of coupon (the “**Coupon Promissory Notes**”) that the Issuer (as determined in good faith by the Issuer’s Board of Directors) estimates would be likely to be accrued and outstanding in respect of the principal amount of the Bonds during the twelve (12) month period following the date upon which such Coupon Promissory Notes were issued; and
- (b) one or more demand promissory notes, duly completed and in the form attached to the Indenture, equal to the aggregate maximum amount of premium or Additional Amounts (the “**Additional Promissory Notes**” and together with the Coupon Promissory Notes, the “**Promissory Notes**”) that the Issuer (as determined in good faith by the Issuer’s Board of Directors) estimates would be likely to be accrued and outstanding in respect of the principal amount of the Bonds during the twelve (12) month period following the date upon which such Additional Promissory Notes were issued.

in each case, as replacements for the Promissory Notes held by the Offshore Bond Security Agent in respect of the previous Note Period.

The Security Agent shall promptly return the Promissory Notes then held by it to the Issuer (i) at the end of each Note Period; or (ii) at the Maturity Date.

Changes and Termination of Shareholders Agreements and Related Documentation

APP and NOMAC will not and will not permit their respective Subsidiaries who are Restricted Companies to directly or indirectly amend, modify or terminate, or consent to the amendment, modification or termination of, any of the Shareholders Agreements or other documents to which such Restricted Companies are a party and which relate to the interests or participations held by such Restricted Companies in the Project Companies, the Expansion Project Companies, the Project Bidding Companies or NOMAC’s KSA Entities unless such amendments or modifications (either individually or in the aggregate) (i) would not reasonably be expected to have a Material Adverse Effect and (ii) do not adversely impair in any material respects the rights and remedies of the Offshore Bond Security Agent and the Onshore Bond Security Agent or the Bondholders under the Bond Security Documents.

Changes and Amendments to Constitutional Documents

Except as required by applicable law, the Issuer, APP, NOMAC will not, and APP and NOMAC will not permit any of their respective Subsidiaries who are Restricted Companies to, directly or indirectly amend or modify any of each of their respective constitutional documents (or propose any resolution for any such amendment, or modification) unless such amendments or modifications (either individually or in the aggregate) (i) would not reasonably be expected to have a Material Adverse Effect and (ii) do not adversely impair in any material respects the rights and remedies of the Offshore Bond Security Agent, the Onshore Bond Security Agent or the Bondholders under the Bond Security Documents.

Bank Accounts and Distributions

The Issuer will not open or maintain any bank accounts other than the Accounts. The Issuer will maintain the Accounts. The Issuer will not make any distributions except to the extent permitted by the Transaction Documents.

Change of Fiscal Year

None of APP, the Issuer or NOMAC will change its fiscal years, except as required by law.

Irrevocable Instructions

The Issuer, APP and NOMAC will not and will not permit any of their Subsidiaries who is a Restricted Company to execute or deliver any agreements or similar documents or instruments which would conflict with the effectiveness or enforceability of the Irrevocable Instructions.

Additionally, each of the Restricted Companies shall not vote its Capital Stock in their respective Subsidiaries, the intermediate holding companies of APP, NOVA or the Project Bidding Companies, as applicable, or exercise any

other corporate or other organizational right therein or take any other action that would result in the termination or revocation of the Irrevocable Instructions or the irrevocable undertaking by NOVA (other than as contemplated under the Indenture), as applicable.

Illegal Commissions

The Issuer and the Restricted Companies shall not and will procure that none of their directors or officers shall, directly or indirectly, in connection with the Projects, pay or receive (or enter into any agreement where under the same may or will at anytime thereafter be paid or received) any unlawful commission, bribe, pay-off or kickback.

Distributions from Project Companies, Expansion Project Companies, Project Bidding Companies and NOMAC

APP and NOMAC will, to the extent they have the right to do so under applicable law and are permitted to do so after giving effect to any applicable contractual restrictions or obligations under the Project Documents, direct and cause the intermediate holding companies of APP, the Project Companies, the Expansion Project Companies, the Project Bidding Companies and NOMAC KSA Entities to, distribute to their shareholders (including NOMAC and APP) in proportion to their shareholdings at any given time all of the profit available for distribution and/or to pay all fees payable to APP and ACWA Power, as applicable, in accordance with the Irrevocable Instructions. With respect to the NOMAC KSA Entities only, such distributions shall give effect to any reserves reasonably required to be retained by the NOMAC KSA Entities, *provided* that such distributions would not reasonably be expected to have a Material Adverse Effect.

Compliance with Laws and Authorizations

The Issuer and each Restricted Company will (a) conduct its activities and operations in a lawful manner in all material respects, other than in relation to any legal requirement the applicability of which is being contested in good faith and by appropriate proceedings, (b) obtain and maintain or cause to be maintained in full force and effect at all times all governmental authorizations, consents, licenses and approvals required for (x) the ownership, construction, financing, maintenance or operation of its business or (y) the performance of its obligations under the Transaction Documents, the Project Documents to which it is a party, except in each case where the failure to do so would not reasonably be expected to result in a Material Adverse Effect.

Material Obligations

Each Restricted Company will duly comply with and perform its obligations under each Project Document to which it is a party and enforce all of its rights under the Project Documents, except in each case where the failure to do so would not reasonably be expected to result in a Material Adverse Effect.

Operation of Projects

Each relevant Restricted Company will operate the applicable Projects and perform its obligations in material conformity with the requirements of the O&M Agreements to which it is a party and enforce all of its rights thereunder except in each case where the failure to do so would not reasonably be expected to result in a Material Adverse Effect.

Calculation of Ratios

The Issuer will provide to the Bond Trustee and the Bond Security Agents, and certify on or prior to each Payment Date, the calculation of the DSCR for the last 12 (twelve) months and the succeeding 12 (twelve) months.

Insurance

Each Restricted Company will vote its Capital Stock held directly and indirectly in the Project Companies in a manner so as to direct the Project Companies to maintain insurance in accordance with the requirements of the applicable Project Documents.

Existence

Subject to the corporate reorganization to be carried out as part of the NOMAC Restructuring and otherwise as permitted under the terms of the Indenture, each of the Issuer and the Restricted Companies will maintain its valid, duly organized corporate existence under the laws of its jurisdiction of incorporation except in each case where the failure to do so would not reasonably be expected to result in a Material Adverse Effect.

Default

The Issuer will provide notice to the Offshore Bond Security Agent, the Onshore Bond Security Agent and the Bond Trustee of any Default under the (i) Indenture or (ii) any Project Document to the extent that such default would reasonably be expected to result in a Material Adverse Effect (such a Default, a “**Material Project Default**”) promptly after becoming aware of it.

Rating Agencies

The Issuer will promptly provide to each Rating Agency such information as it may reasonably request in order to maintain the rating of the Bonds.

Payment of Taxes

Each Restricted Company will file or cause to be filed all Tax returns it is required to file under applicable law and pay or cause to be paid Taxes in a timely fashion, except where such Taxes are being disputed in good faith and by appropriate proceedings and in respect of which appropriate reserves have been established in accordance with the relevant applicable accounting standards or except in each case where the failure to do so would not reasonably be expected to result in a Material Adverse Effect.

Maintenance of Listing

The Issuer will use its commercially reasonable efforts to obtain the listing of the Bonds on the Official List of the Irish Stock Exchange and to admit the Bonds for trading on the Global Exchange Market as promptly as practicable and will use its commercially reasonable efforts to maintain the listing of the Bonds on the Official List of the Irish Stock Exchange for so long as such Bonds are outstanding; *provided* that if at anytime the Issuer determines that it will not maintain such listing, it will obtain prior to the delisting of the Bonds from the Global Exchange Market, and thereafter use its commercially reasonable efforts to maintain a listing of such Bonds on another 'recognised stock exchange' as defined in Section 1005 of the Income Tax Act 2007 of the United Kingdom.

Reports

So long as any Bonds are outstanding, the Issuer will furnish to the Bond Trustee and make available to the Bondholders:

- (a) within 180 calendar days after the end of the Issuer's fiscal year beginning with the year ending December 31, 2016, annual reports containing, to the extent applicable, the following information (i) audited consolidated balance sheet, income statements and statements of cash flow of the Issuer, APP and, post the NOMAC Restructuring, NOMAC for the most recent fiscal year (and comparative information as of the end of the prior fiscal year), including complete footnotes to such financial statements and the report of the independent auditors on the financial statements and (ii) a discussion of the Issuer's, APP and, post the NOMAC restructuring, NOMAC's financial condition and operating results and material recent developments relating to the Issuer, APP and NOMAC;
- (b) within 60 (sixty) calendar days (or 90 (ninety) calendar days in respect of the six-month period ending June 30, 2017) following the end of each six-month period of the Issuer's fiscal year semi-annual reports containing, to the extent applicable, the following information (i) an unaudited condensed consolidated balance sheet as of the end of such six-month period and unaudited condensed statements of income and cash flow for such six-month period, and the comparable prior year periods for the Issuer, APP and NOMAC, together with consolidated note disclosure and statements and (ii) a discussion of the Issuer's, APP and post the Transfer Date, NOMAC's financial condition and operating results and material recent developments relating to the Issuer, APP and NOMAC; and
- (c) promptly after the occurrence of any material acquisition, disposition or restructuring of the Issuer and any other Restricted Company, taken as a whole, or any senior executive officer changes at APP or change in auditors of the Issuer, APP and NOMAC, a Material Project Default or any other material event that the Issuer, APP and NOMAC announces publicly a report containing a description of such event.

So long as any Bonds are outstanding, the Issuer will also:

- (a) Within 10 Business Days after furnishing to the Bond Trustee and making available to the Bondholders the annual and semi-annual reports required by this "Reports" covenant, hold a private conference call to discuss such reports and the results of operations for the relevant reporting period; and
- (b) No fewer than three Business Days prior to the date of the conference call required to be held in accordance with this paragraph, use its commercially reasonable efforts to post or cause to be posted a notice to the Bondholders announcing the time and date of such conference call and either including all information necessary to access the call or directing Bondholders to contact the appropriate person at the Issuer to obtain such information.

All financial statements shall be prepared in accordance with Saudi GAAP or IFRS, as applicable. All reports provided under this "**Reports**" covenant shall be made in the English language.

Except as specifically provided for above, no report need include separate financial statements for the Restricted Companies or any new Subsidiary included as a Restricted Company.

Contemporaneously with the furnishing of each such report discussed above in clauses (a) through (c) of the first paragraph of this covenant, the Issuer will post such report on the Issuer's or ACWA Power's password protected website. The Issuer will also make available copies of all reports required by clauses (a) through (c) of the first paragraph of this covenant, if and so long as the Bonds are listed on the Official List of the Irish Stock Exchange and

admitted to trading on Global Exchange Market and the rules of the Irish Stock Exchange so require, at the offices of the Paying Agent or, to the extent and in the manner required by such rules or any applicable regulations, post, and shall procure that the Company will post, such reports on the official website of the Irish Stock Exchange.

Within five Business Days after the delivery of a notice to the Bond Trustee of a Material Project Default, the Issuer will conduct a conference call to discuss such Material Project Default and answer questions about such default, which conference call will be open to all holders of Bonds and prospective investors. Details of such conference call will be posted on ACWA Power's website.

In addition, so long as the Bonds remain outstanding and during any period during which the Issuer is not subject to Section 13 or 15(d) of the Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b), the Issuer shall furnish to the Bondholders and, upon their request, prospective purchasers of the Bonds, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

PFIC

Should the Issuer be classified as a passive foreign investment company within the meaning of Section 1297 of the U.S. Internal Revenue Code of 1986, as amended (a "PFIC"), the Issuer will provide the Bondholders with a PFIC Annual Information Statement containing the information described in Treasury Regulation Section 1.1295-1(g) to enable such Bondholders to make a "Qualified Electing Fund" election with respect to such PFIC. The Issuer shall retain Ernst & Young LLP to provide such reporting services. This provision will apply only if the Bonds are treated as equity for U.S. federal income tax purposes pursuant to a final, unappealable determination of a court of competent jurisdiction of the United States. The Bondholders and beneficial owners of the Bonds (by acquiring the Bonds or a beneficial interest therein) are deemed to (a) express their intention that the Bonds qualify under U.S. federal, state and local income tax law as debt interests in the Issuer, and (b) agree to treat the Bonds as debt interests in the Issuer for U.S. federal, state and local income tax purposes.

Events of Default

Each of the following is an "Event of Default":

- (a) default for more than 5 (five) Business Days in the payment of interest, principal, premium or Additional Amounts, if any, with respect to the Bonds, when due and payable, whether at maturity, upon redemption or otherwise;
- (b) any default of the covenant, "*—Change of Control Repurchase of Bonds,*" by the Issuer or any Restricted Company will constitute an immediate Event of Default;
- (c) any default of the covenant, "*—Mandatory Redemption*" by the Issuer or any Restricted Company and such default continues for 30 (thirty) calendar days;
- (d) a default in the observance or performance of any other covenant or agreement of the Issuer or any other Restricted Company made in the Indenture or any other Transaction Documents and such default continues for 60 (sixty) calendar days or more after written notice to the Issuer from the Bond Trustee or the Bondholders of at least twenty-five percent (25%) in aggregate principal amount of the outstanding Bonds (in the case of notice by the Bondholders, with a copy to the Bond Trustee);
- (e) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Issuer or any other Restricted Company (or the payment of which is guaranteed by the Issuer or any other Restricted Company), whether such Indebtedness or guarantee now exists, or is created after the Issue Date, if that default:
 - (i) is caused by a failure to pay principal of, interest or premium, if any, on, such Indebtedness at final maturity thereof after the expiration of the grace period provided in such Indebtedness (other than any regularly scheduled payment), and such failure to make any payment has not been waived or the maturity of such Indebtedness has not been extended (a "**Payment Default**"); or
 - (ii) results in the acceleration of such Indebtedness prior to its maturity (an "**Acceleration Default**"), and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or Acceleration Default, aggregates \$30 million or more;
- (f) any security interest under the Bond Security Documents shall, at anytime, cease to be in full force and effect in all material respects (other than in accordance with the terms of the relevant Bond Security Document and the Indenture) with respect to Bond Collateral which could reasonably be expected to have a Material Adverse Effect, for any reason other than the satisfaction in full of all obligations under the Indenture, or the release of any such security interest in accordance with the terms of the relevant Bond Security Document, the Collateral Coordination Agreement and the Indenture, or the Issuer shall assert in writing that any Bond Collateral is not subject to a valid, perfected security interest (except in accordance with the terms of the relevant Bond Security

Document and the Indenture) which could reasonably be expected to have a Material Adverse Effect, and in each case this default has not been cured for a period of fifteen (15) days;

- (g) any event of default under the Sukuk Documents occurs and is continuing;
- (h) certain events of bankruptcy, insolvency or court protection occur with respect to the Issuer, APP, or NOMAC but excluding, in the case of the Issuer, any technical insolvency due to an accumulation of losses exceeding a particular level;
- (i) failure by the Issuer or any other Restricted Company, to pay final and non-appealable judgments entered by a court or courts of competent jurisdiction aggregating in excess of \$30 million (exclusive of any amounts that an insurance company has acknowledged liability for), which judgments shall not have been paid, discharged or waived and there shall have been a period of 90 (ninety) consecutive days during which a stay of enforcement of such judgment or order, by reason of an appeal, waiver or otherwise, shall not have been in effect;
- (j) any breach of the payment obligations under the Irrevocable Instructions except to the extent that any such breach would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect; or
- (k) the Indenture, the Irrevocable Instructions, or any security interest under the Bond Security Documents shall, at anytime, be ruled unenforceable by any governmental authority except to the extent any such unenforceability would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

In the case of an Event of Default specified in clause (h) of the preceding paragraph, with respect to the Issuer, all outstanding Bonds will become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing, the Bond Trustee or Bondholders of at least 25% in aggregate principal amount of the then outstanding Bonds may, and the Bond Trustee, upon request of such Bondholders, shall, declare the principal of, premium, if any, and accrued and unpaid interest, including Additional Amounts, if any, on all the Bonds to be due and payable immediately. Upon such a declaration, such principal, premium and accrued and unpaid interest, including Additional Amounts, if any, will be due and payable immediately.

Subject to certain limitations, Bondholders of a majority in aggregate principal amount of the then outstanding Bonds may direct the Bond Trustee in its exercise of any trust or power. The Bond Trustee may withhold from Bondholders notice of any continuing Default or Event of Default if it determines that withholding notice is in their interest, except a Default or Event of Default relating to the payment of principal, interest or Additional Amounts or premium, if any.

Subject to the provisions of the Indenture relating to the duties of the Bond Trustee, in case an Event of Default occurs and is continuing, the Bond Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any Bondholders unless such Bondholders have offered to the Bond Trustee indemnity or security satisfactory to it against any loss, liability or expense. Except to enforce the right to receive payment of principal, premium, if any, or interest or Additional Amounts when due, no Bondholder may pursue any remedy with respect to the Indenture or the Bonds unless:

- (a) such Bondholder has previously given the Bond Trustee notice that an Event of Default is continuing;
- (b) Bondholders of at least 25% in aggregate principal amount of the then outstanding Bonds have requested the Bond Trustee to pursue the remedy;
- (c) such Bondholders have offered the Bond Trustee security or indemnity satisfactory to it against any loss, liability or expense;
- (d) the Bond Trustee has not complied with such request within 60 (sixty) calendar days after the receipt of the request and the offer of such security or indemnity; and
- (e) Bondholders of a majority in aggregate principal amount of the then outstanding Bonds have not given the Bond Trustee a direction inconsistent with such request within such 60-day period.

The Bondholders of not less than a majority in aggregate principal amount of the then outstanding Bonds by notice to the Bond Trustee may, on behalf of all the Bondholders, rescind an acceleration or waive any existing Default or Event of Default and its consequences under the Indenture except a continuing default in the payment of interest, Additional Amounts or premium, if any, on, or the principal of, the Bonds (which may only be waived with the consent of the holder of each outstanding Bond affected thereby or as otherwise provided in the Indenture).

The Issuer is required to deliver to the Bond Trustee annually a statement regarding compliance with the Indenture.

The Bondholders of not less than a majority in aggregate principal amount of the outstanding Bonds may, on behalf of all the Bondholders, rescind any acceleration and its consequences under the Indenture if (i) such rescission would not conflict with any judgment or decree of a court of competent jurisdiction, (ii) all existing Events of

Default, other than the non-payment of principal of, premium, if any, interest and Additional Amounts, if any, on the Bonds that have become due solely by such declaration of acceleration, have been cured or waived as provided in the Indenture and (iii) the Issuer has paid or deposited with the Bond Trustee a sum sufficient to pay (a) all sums paid or advanced by the Bond Trustee under the Indenture and the compensation, expenses, disbursements and advances of the Bond Trustee, its agents and counsel, (b) all overdue interest and Additional Amounts on all Bonds then outstanding, (c) the principal of and premium, if any, on any Bonds then outstanding which have become due otherwise than by such declaration of acceleration and interest thereon as set forth above under “—*Default Interest*,” and (d) to the extent that payment of such interest is lawful, interest upon overdue interest as set forth above under “—*Default Interest*.” No such rescission shall affect any subsequent default or impair any right consequent thereon.

No Personal Liability of Directors, Officers, Employees and Stockholders

No director, officer, employee, incorporator or stockholder of the Issuer or any Restricted Company will have any liability for any obligations of the Issuer or any Restricted Company under the Bonds, the Indenture or the Bond Security Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Bondholder by accepting a Bond waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Bonds. The waiver may not be effective to waive liabilities under the U.S. federal securities laws.

Defeasance

The Issuer may at anytime, at the option of its Board of Directors evidenced by a resolution set forth in an Officer’s Certificate, elect to have all of its obligations discharged with respect to the outstanding Bonds (“**Legal Defeasance**”) except for:

- (a) the rights of holders of outstanding Bonds to receive payments in respect of the principal of, or interest (including Additional Amounts) or premium, if any, on, such Bonds when such payments are due (whether at maturity, scheduled amortization, redemption or otherwise) from the trust referred to below;
- (b) the Issuer’s obligations with respect to the Bonds concerning issuing temporary Bonds, registration of Bonds, mutilated, destroyed, lost or stolen Bonds and the maintenance of an office or agency for payment and money for security payments held in trust;
- (c) the rights, powers, trusts, duties and immunities of the Bond Trustee, and the Issuer’s obligations in connection therewith; and
- (d) the Legal Defeasance and Covenant Defeasance provisions of the Indenture.

In addition, the Issuer may, at its option and at anytime, elect to have the obligations of the Issuer released with respect to certain covenants (including its obligation to make Change of Control Offers) that are described in the Indenture (“**Covenant Defeasance**”) and thereafter any omission to comply with those covenants will not constitute a Default or Event of Default with respect to the Bonds. In the event Covenant Defeasance occurs, all Events of Default described under “—*Events of Default*” (except those relating to payments on the Bonds or, solely with respect to the Issuer, bankruptcy or insolvency events) will no longer constitute an Event of Default with respect to the Bonds.

Conditions to Defeasance

The following shall be conditions to the application of Legal Defeasance or Covenant Defeasance to the Bonds:

- (a) the Issuer shall have irrevocably deposited with the Bond Trustee (or such other entity designated by the Bond Trustee for this purpose), in trust (the “**Defeasance Trust**”), for the benefit of the Bondholders, cash in U.S. Dollars or U.S. Government Obligations, or a combination thereof, in such amounts as will be sufficient, to pay the principal of, Additional Amounts, if any, and interest or redemption price on the Bonds on or prior to the stated maturities thereof or upon redemption thereof as the case may be, and the Issuer must specify whether the Bonds are being defeased to such stated date for payment or to a particular redemption date;
- (b) the Issuer must deliver to the Bond Trustee and the Bond Security Agents an Officer’s Certificate stating that the deposit was not made by the Issuer with the intent of preferring the holders of Bonds over the other creditors of the Issuer with the intent of defeating, hindering, delaying or defrauding any creditors of the Issuer or others;
- (c) if any such deposit of money shall have been made prior to the Stated Maturity of the final instalment of principal or the date of redemption of the Bonds, the Issuer shall have delivered to the Bond Trustee (with a copy to the Bond Security Agents) a duly executed order stating that such money shall be held by the Bond Trustee, in trust, as described in “—*Satisfaction and Discharge of the Indenture*” below;
- (d) in the case of redemption of the Bonds, the notice requisite to the validity of such redemption shall have been given, or irrevocable instructions shall have been given by the Issuer to the Bond Trustee (with a copy to the Bond Security Agents) to give such notice, under arrangements satisfactory to the Bond Trustee;

- (e) The Issuer shall have delivered to the Bond Trustee and the Bond Security Agents an opinion of independent legal counsel of recognized standing to the effect that Bondholders of the outstanding Bonds in respect of the Bonds will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance or Covenant Defeasance, as applicable, and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance or Covenant Defeasance, as applicable, had not occurred, which opinion must, in the case of Legal Defeasance, refer to and be based upon a published ruling of the U.S. Internal Revenue Service or a change in applicable U.S. federal income tax laws;
- (f) The Issuer shall have delivered to the Bond Trustee and the Bond Security Agents an Opinion of Counsel to the effect that the trust resulting from the deposit does not constitute, or is qualified as, a regulated investment company under the U.S. Investment Company Act of 1940;
- (g) The Issuer shall have delivered to the Bond Trustee and the Bond Security Agents an Officer's Certificate that the Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under the Indenture or any of the other Transaction Documents or any other material agreement or instrument to which the Issuer or the Restricted Companies are party or by which they are bound; and
- (h) the Issuer shall have delivered to the Bond Trustee and the Bond Security Agents an Officer's Certificate and an opinion of counsel satisfactory to the Bond Trustee which, taken together, shall state that all conditions precedent under the Indenture to such defeasance have been complied with.

Satisfaction and Discharge of the Indenture

The Indenture, and the rights of the Bond Trustee and the Bondholders under the Bond Security Documents will be discharged and cease to be of further effect (except as to surviving rights of transfer or exchange of the Bonds, as expressly provided for in the Indenture) as to all outstanding Bonds when (1) either (a) all the Bonds previously authenticated and delivered (other than certain lost, stolen or destroyed Bonds and certain Bonds for which provision for payment was previously made and thereafter the funds have been released to the Company) have been delivered to the Paying Agent for cancellation; or (b) all Bonds not previously delivered to the Paying Agent for cancellation (i) have become due and payable, (ii) will become due and payable at their Stated Maturity within one year or (iii) are to be called for redemption within one year under arrangements satisfactory to the Paying Agent for the giving of notice of redemption by the Paying Agent in the name, and at the expense, of the Issuer; (2) the Issuer has deposited or caused to be deposited with the Paying Agent (or such entity designated by the Paying Agent for this purpose), U.S. Dollars or U.S. Government Obligations or a combination thereof, as applicable in an amount sufficient to pay and discharge the entire indebtedness on the Bonds not previously delivered to the Paying Agent for cancellation, for principal, premium, if any, and interest to the date of deposit (in the case of Bonds that have become due and payable), or to the Stated Maturity or redemption date, as the case may be; (3) the Issuer has paid or caused to be paid all other sums payable under the Indenture; (4) the Issuer has delivered irrevocable instructions under the Indenture to apply the deposited money towards payment of the Bonds at maturity or on the redemption date, as the case may be; and (5) the Issuer has delivered to the Bond Trustee and the Bond Security Agents an Officer's Certificate and an Opinion of Counsel (each of which the Bond Trustee and the Bond Security Agents will be entitled to rely on without further inquiry or investigation) each to the effect that all conditions precedent under the "*Satisfaction and Discharge*" section of the Indenture relating to the satisfaction and discharge of the Indenture have been complied with, *provided* that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)).

Amendments and Waivers

Amendments with the Consent of Bondholders

Except as provided in the next two succeeding paragraphs, the Indenture, the Bonds, the Collateral Coordination Agreement, any Additional Collateral Coordination Agreement and the Bond Security Documents may be amended or supplemented with the consent of the Bondholders of at least a majority in aggregate principal amount of the Bonds then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Bonds), and any existing Default or Event of Default or compliance with any provision of the Indenture, the Bonds or the Bond Security Documents may be waived with the consent of the Bondholders of a majority in aggregate principal amount of the then outstanding Bonds (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Bonds).

Unless consented to by the holder of each Bond of such series affected thereby (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Bonds), an amendment, supplement or waiver may not:

- (a) reduce the principal amount of the Bonds whose Bondholders must consent to an amendment, supplement or waiver;

- (b) reduce the principal of or change the Stated Maturity of any Bond or alter the provisions with respect to the redemption of the Bonds;
- (c) reduce the rate of or change the time for payment of interest, including default interest, on the Bonds;
- (d) waive a Default or Event of Default in respect of the payment of principal of, or interest, Additional Amounts or premium, if any, on, the Bonds;
- (e) impair the right to institute suit for the enforcement of any such payment on or with respect to any Bond;
- (f) make any change in the provisions of the Indenture and/or Collateral Coordination Agreement relating to the priorities of payment in the cash waterfall;
- (g) make any Bond payable in money other than that stated in such Bonds;
- (h) make any change in the provisions of the Indenture relating to waivers of past Defaults or the rights of Bondholders to receive payments of principal of, or interest, Additional Amounts or premium, if any, on, the Bonds;
- (i) waive a redemption payment with respect to the Bonds;
- (j) release any of the Bond Collateral from Liens granted for the benefit of the Bondholders, except in accordance with the terms of the relevant Bond Security Document and the Indenture, and make any amendment to the Irrevocable Instructions; or
- (k) make any change in the preceding amendment and waiver provisions.

Amendments without the Consent of Bondholders

Notwithstanding the preceding paragraph, without the consent of any Bondholder, the Issuer and the Bond Trustee may amend or supplement the Indenture, the Bonds, the Collateral Coordination Agreement, any Additional Collateral Coordination Agreement and the Bond Security Documents:

- (a) to cure any ambiguity, defect or inconsistency, *provided* that such amendment or supplement does not materially and adversely affect the rights of any Bondholder;
- (b) to provide for the assumption of the Issuer's obligations to Bondholders in the case of a merger or consolidation or sale of all or substantially all of the Issuer's assets;
- (c) to add to the covenants of any of the Issuer and the Restricted Companies for the benefit of the Bondholders or to surrender any right or power conferred in the Indenture upon the Issuer or any Restricted Company;
- (d) to make any change that would provide any additional rights or benefits to the Bondholders or that does not adversely affect the legal rights under the Indenture of any such Bondholder;
- (e) to conform the text of the Indenture, the Bonds or the Bond Security Documents to any provision of this Description of the Bonds to the extent that such provision in this Description of the Bonds was intended to be a verbatim recitation of a provision of the Indenture, the Bonds or the Bond Security Documents;
- (f) to enter into additional or supplemental Bond Security Documents;
- (g) to provide for the issuance of Additional Bonds if otherwise permitted under the Indenture;
- (h) to add additional parties to any Bond Security Documents to the extent permitted thereunder and under the Indenture;
- (i) to provide for uncertificated Bonds in addition to or in place of certificated Bonds (*provided* that the uncertificated Bonds are issued in registered form for purposes of Section 163(f) of the Code; or
- (j) to evidence and provide the acceptance of the appointment of a successor Bond Trustee, Offshore Bond Security Agent or Onshore Bond Security Agent under the Indenture.

The consent of the Bondholders is not necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

In formulating its opinion on any of the above matters, the Bond Trustee shall be entitled to request and rely on such evidence as it deems appropriate, including opinions of counsel and Officer's Certificates.

Payments for Consent

The Issuer and the Restricted Companies will not, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any Bondholder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Bonds unless such consideration is offered to be paid and is paid to all Bondholders that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement.

Notwithstanding the foregoing, the Issuer and the Restricted Companies shall be permitted, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Bonds, to exclude Bondholders in any jurisdiction where (i) the solicitation of such consent,

waiver or amendment, including in connection with an exchange offer or offer to purchase for cash or (ii) the payment of the consideration therefor (a) would require the Issuer or any other Restricted Company to file a registration statement, prospectus or similar document under any applicable securities laws (including, but not limited to, the United States federal securities laws and the laws of the European Union or its member states), which the Issuer in its sole discretion determines (acting in good faith) would be materially burdensome or (b) such solicitation would otherwise not be permitted under applicable law in such jurisdiction.

Notices

Where the Indenture or any other Transaction Document provides for notice to the Bondholders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) to any particular Bondholder if in writing and mailed, first-class postage prepaid, to each such Bondholder, at its address as it appears in the Register, not later than the latest date and not earlier than the earliest date prescribed for the giving of such notice. Where the Indenture or any other Transaction Document provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice for the purposes of the Indenture or the relevant Transaction Document. Waivers of notice by Bondholders shall be filed with the Bond Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver. In any case where notice to Bondholders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Bondholder shall affect the sufficiency of such notice with respect to other Bondholders, and any notice that is mailed in the manner herein provided shall be conclusively presumed to have been duly given.

In case by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give such notice by mail, then such other notification as shall be made with the consent of the Bond Trustee, which consent shall not be unreasonably withheld, shall constitute a sufficient notification to such Bondholders for every purpose hereunder.

So long as the Bonds are listed on the Irish Stock Exchange and the rules of the Irish Stock Exchange shall so require, notices with respect to the Bonds will be published in a newspaper having general circulation in Ireland (which is expected to be the *Irish Times*) or, to the extent and in the manner permitted by such rules, posted on the official website of the Irish Stock Exchange (www.ise.ie). For Bonds that are represented by global certificates held on behalf of Euroclear, Clearstream, Luxembourg or DTC, notices may be given by delivery of the relevant notices to Euroclear, Clearstream, Luxembourg and DTC for communication to the entitled account holders in substitution for the aforesaid mailing. Such notices may also be published on the website of the Irish Stock Exchange (www.ise.ie), to the extent and in the manner permitted by the rules of the Irish Stock Exchange.

Concerning the Bond Trustee

The Bond Trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest it must eliminate such conflict within 90 (ninety) days or resign as Bond Trustee.

The Bondholders of a majority in aggregate principal amount of the then outstanding Bonds will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Bond Trustee, subject to certain exceptions. The Indenture will provide that in case an Event of Default occurs and is continuing, the Bond Trustee will be required, in the exercise of its power, to use the degree of care of a prudent man in the conduct of his own affairs. Subject to such provisions, the Bond Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any Bondholder, unless such Bondholder has offered to the Bond Trustee security or indemnity acceptable to it against any loss, liability or expense.

Listing

Application has been made for the Bonds to be listed on the Official List of the Irish Stock Exchange and to be admitted for trading on its Global Exchange Market. There can be no guarantee that this application will be approved as of the Issue Date or at any time thereafter, and settlement of the Bonds is not conditioned on obtaining this listing.

Governing Law and Jurisdiction

Governing Law

The Indenture and the Bonds will be governed by and construed in accordance with the laws of the State of New York.

Consent to Jurisdiction and Arbitration

Subject as described below, any dispute, claim, difference or controversy arising out of, relating to or having any connection with the Indenture and the Bonds (including any dispute as to the existence, validity, interpretation,

performance, breach or termination or the consequences of the nullity or any dispute relating to any non-contractual rights or obligations arising out of or in connection with the Bonds and the Indenture) (a “**Dispute**”) shall be referred to and finally resolved by arbitration in accordance with the Arbitration Rules of the London Court of International Arbitration as in force at the date of the Indenture (the “**Rules**”), which are, as modified by the provisions described below, incorporated by reference into the Indenture. In particular:

- (a) the seat of arbitration shall be London, England;
- (b) the number of arbitrators shall be three. The parties to the Dispute shall each nominate one arbitrator and both arbitrators in turn shall appoint a further arbitrator who shall be the chairman of the arbitral tribunal. In cases where there are multiple claimants and/or multiple respondents, the class of claimants jointly, and the class of respondents jointly, shall each nominate one arbitrator. If one party or both parties fail to nominate an arbitrator within the time limits specified by the Rules, such arbitrator(s) shall be appointed by the LCIA Court (as defined in the Rules). If the party nominated arbitrators fail to nominate the third arbitrator within 15 (fifteen) days of the appointment of the second arbitrator, such arbitrator shall be appointed by the LCIA Court; and
- (c) the language of the arbitration shall be in English.

Notwithstanding the foregoing paragraph, the Bond Trustee, if so directed by the holders of at least 25% of the principal amount of the outstanding Bonds (excluding Bonds actually known by the Bond Trustee to be held by us or any of our affiliates), may require the Dispute to be heard in the courts of England or in any Federal or State court located in the Borough of Manhattan, City of New York, and each party hereby irrevocably consents and agrees that any legal action, suit or proceeding against us with respect to any dispute, claim, difference or controversy arising out of or relating to or having any connection with, the Bonds and the Indenture including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity may be brought in the United States District Court located in the Borough of Manhattan, City of New York or in the courts of the State of New York in the Borough of Manhattan, City of New York or in the High Court of Justice in England and Wales, and each party hereby irrevocably accepts and submits to the non-exclusive jurisdiction of each such court with respect to any such action, suit or proceeding. Each party hereby waives to the fullest extent permitted by applicable law any objection which it may now or hereafter have to the laying of venue of any of the aforesaid actions, suits or proceedings, brought in any such court and hereby further waives and agrees not to plead or claim in any such court that any such action, suit or proceeding brought therein has been brought in any inconvenient forum.

The Issuer has appointed NCR National Corporate Research (UK) Limited as its agent for service of process in relation to proceedings in English courts and National Corporate Research, Ltd. as its agent for service of process in relation to proceedings in Federal or State courts located in New York.

Enforceability of Judgments

All of the assets of the Issuer are located outside the United States, and as a result any judgment obtained in the United States against the Issuer, including judgments with respect to the payment of principal, premium, interest, Additional Amounts and any redemption price and any purchase price with respect to the Bonds, may not be collectable within the United States. In addition, judgments obtained in the United States may not be enforceable in the DIFC, Kingdom of Saudi Arabia and other countries.

Prescription

Claims against the Issuer for the payment of principal or Additional Amounts, if any, on the Bonds will be prescribed 10 (ten) years after the applicable due date for payment thereof. Claims against the Issuer for the payment of interest on the Bonds will be prescribed five years after the applicable due date for payment of interest.

Currency Indemnity

The sole currency of account and payment for all sums, including damages, payable by the Issuer under or in connection with the Bonds is U.S. dollars. Any amount received or recovered in a currency other than U.S. dollars, whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer or otherwise by any holder or by the Bond Trustee, in respect of any sum expressed to be due to it from the Issuer will only constitute a discharge to the Issuer to the extent of the U.S. dollar amount, which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that U.S. dollar amount is less than the U.S. dollar amount expressed to be due to the recipient or the Bond Trustee under any Bond, the Issuer will indemnify the recipient or Bond Trustee against any loss sustained by such recipient or the Bond Trustee as a result. In any event, the Issuer will indemnify the recipient

or the Bond Trustee against the cost of making any such purchase. For the purposes of this currency indemnity provision, it will be prima facie evidence of the matter stated therein for the holder or the Bond Trustee to certify in a manner reasonably satisfactory to the Issuer (indicating the sources of information used) the loss it incurred in making any such purchase. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any Bondholder or the Bond Trustee (other than a waiver of the indemnities set out herein) and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Bond or to the Bond Trustee.

Form of Bonds, Denomination and Registration

The Global Bonds

The Bonds will be represented initially by global Bonds in registered form. Bonds initially offered and sold in reliance on Rule 144A to QIBs will be represented by one or more permanent global Bonds in fully registered book-entry form without interest coupons (the "**Rule 144A Bonds**"), and Bonds initially offered and sold in reliance on Regulation S to non-U.S. Persons will be represented by one or more permanent global Bonds in fully registered book-entry form without interest coupons (the "**Regulation S Bonds**," and together with the Rule 144A Bonds, the "**Global Bonds**"). The Global Bonds will be issued only in fully registered form, without interest coupons, in minimum denominations of \$200,000 and integral multiples of \$1,000 in excess thereof.

Book-Entry Interests

The Global Bonds will be deposited with Citibank, N.A., London as custodian for DTC and registered in the name of Cede & Co. as nominee of DTC. Upon issuance of the Global Bonds, DTC will credit the respective principal amounts of the Bonds represented by Global Bonds to the accounts of institutions that have accounts with DTC or its nominee ("**Participants**"), including Euroclear Bank SA/NV, as operator of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in the Global Bonds will be limited to Participants or entities that may hold interests through Participants. Ownership of beneficial interests in the Global Bonds will be shown on, and transfers of that ownership will be effected only through, records maintained in book-entry form by DTC or its nominee (with respect to Participants) or by Participants or persons that hold through Participants, except as provided below. Beneficial interests in the Bonds are referred to as "Book-Entry Interests." Euroclear and Clearstream, Luxembourg will hold interests in the Regulation S Bonds on behalf of their Participants through their respective depositories, which in turn will hold such interests in such Regulation S Bonds in customers' securities accounts in the depositories' names on the books of DTC. Investors may hold their interests in the Rule 144A Bonds directly through DTC if they are Participants, or indirectly through organizations that are Participants. So long as DTC, or its nominee, is the registered holder of a Global Bond, DTC or such nominee, as the case may be, will be considered the absolute owner or Bondholder for all purposes under the Indenture and the Bonds, and holders of Book-Entry Interests and Participants in DTC (including Euroclear and Clearstream, Luxembourg and account holders of bonds and Participants in those systems) will have no rights under the Indenture or under a Global Bond.

Summary of Transfer Restrictions

Transfers of interests in the Bonds will be subject to certain restrictions set forth in the terms of those Bonds and the Bonds will bear a restrictive legend as described under "*Transfer Restrictions*." Except as set forth below, the Global Bonds may be transferred, in whole and not in part, only to another nominee of DTC or to a successor of DTC or its nominee in accordance with the applicable procedures of DTC, Euroclear and Clearstream, Luxembourg (the "**Applicable Procedures**"), in each case to the extent applicable. For a description of the depository procedures with respect to the Global Bonds, see "*—Book-Entry Interests*."

Definitive Bonds

If (i) DTC notifies the Bond Trustee in writing that it is unwilling or is unable to continue as depository for a Global Bond or that it ceases to be a "clearing agency" registered under the Exchange Act, (ii) the Issuer and the Bond Trustee are unable to locate a qualified successor depository within 90 (ninety) calendar days of such notice, and (iii) if an Event of Default has occurred and is continuing, then the Bond Trustee will notify all applicable Bondholders of the occurrence of any such event and (a) of the availability of definitive Bonds to such Bondholders, or (b) at the election of the Issuer, that definitive Bonds will be issued to all Bondholders. Upon the giving of such notice and the surrender of such Global Bonds by DTC, accompanied by registration instructions, the Issuer will issue definitive Bonds for the applicable Bonds. Any definitive Bonds shall only be issued in registered form for U.S. federal income tax purposes.

In the case of definitive Bonds issued in exchange for the Rule 144A Global Bond, such definitive Bonds will bear the legend set forth on the Rule 144A Global Bond (unless counsel to the Issuer determines otherwise in accordance with applicable law and the procedures set forth in the Indenture). Definitive Bonds will be exchangeable or transferable for interests in other definitive Bonds as described under "*—Replacement, Exchange and Transfers*."

Replacement, Exchange and Transfers

Replacement of Bonds

If any Bond at anytime is mutilated, destroyed, lost or stolen, that Bond may be replaced at the cost of the applicant if the mutilated Bond is surrendered to the Bond Trustee or evidence of the destruction, loss or theft of the Bond is delivered to us or the Bond Trustee, as the case may be, as provided in the Indenture.

Exchanges Between Regulation S Bonds and the Rule 144A Bonds

Beneficial interests in a Regulation S Global Bond may be transferred for beneficial interests in the Rule 144A Bonds only if such transfer occurs in accordance with the Applicable Procedures and in connection with a transfer of the Bonds pursuant to Rule 144A and the transferor first delivers to the Paying Agent or custodian a written certificate (in the form provided in the Indenture) to the effect that the Bonds are being transferred to a person whom the transferor reasonably believes is a QIB within the meaning of Rule 144A under the Securities Act, purchasing for its own account or the account of a person that is a QIB in a transaction meeting the requirements of Rule 144A and in accordance with all applicable securities laws of the states of the United States and other jurisdictions.

Beneficial interests in the Rule 144A Bonds may be transferred to a person who acquires the same in the form of a beneficial interest in a Regulation S Global Bond only in accordance with the Applicable Procedures and if the transferor first delivers to the Paying Agent or custodian a written certificate (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Rule 903 or Rule 904.

Certain Definitions

Set forth below are certain defined terms used in the Indenture. Reference is made to the Indenture for a full disclosure of all defined terms used therein, as well as any other capitalized terms used herein for which no definition is provided.

“Accounts” means the Collection Account, the Distribution Account, the Debt Service Reserve Account and the Redemption Account.

“Acquired Indebtedness” means, with respect to any specified Person:

- i. Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Subsidiary of such specified Person, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Subsidiary;
- ii. Indebtedness secured by a Lien encumbering any asset acquired by such specified Person; and
- iii. Indebtedness of any other Person or any of its Subsidiaries existing at the time such other Person becomes a Subsidiary of such specified Person, which shall be deemed to be incurred on the date such other Person becomes a Subsidiary of such specified Person.

“ACWA Power” means the International Company for Water and Power Projects.

“ACWA Power Group” means ACWA Power, its Affiliates and/or its Subsidiaries.

“Additional Calculation Date” means any date (other than a Scheduled Calculation Date) on which the Debt Service Coverage Ratio or Projected Debt Service Coverage Ratio is required to be determined pursuant to the Indenture.

“Affiliate” means, with respect to any specified Person, any other Person who directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, such specified Person. The term “control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise; *provided*, that beneficial ownership of 10% or more of the Voting Stock of a Person will be deemed to be control. For purposes of this definition, the terms “controlling,” “controlled by” and “under common control with” have correlative meanings.

“APP” means Arabian Company for Water and Power Projects, a public company incorporated in the Kingdom of Saudi Arabia.

“Bankruptcy Law” means Title 11, United States Bankruptcy Code of 1978, or any similar United States federal or state law or relevant law in any jurisdiction or organization or similar foreign law (including, without limitation, the laws of the DIFC, the Kingdom of Saudi Arabia and the jurisdiction of incorporation of any Restricted Company relating to the capability of a debtor to pay its debts, the debtor’s over-indebtedness or lack of assets to cover a debtor’s outstanding debt or relating to moratorium, bankruptcy, insolvency, receivership, winding up, liquidation, reorganization or relief of debtors) or any amendment to, succession to or change in any such law.

“Beneficial Owner” has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular “person” (as that term is used in Section 13(d)(3) of the Exchange Act), such “person” will be deemed to have beneficial ownership of all securities that such “person” has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time. The terms “Beneficially Owns,” “Beneficially Owned,” “Beneficially Owning” and “Beneficial Ownership” have a corresponding meaning.

“Board of Directors” means (a) with respect to the Issuer or any corporation, the board of directors or managers, as applicable, of the corporation, or any duly authorized committee thereof; (b) with respect to any partnership, the board of directors or other governing body of the general partner of the partnership or any duly authorized committee thereof; and (c) with respect to any other Person, the board or any duly authorized committee of such Person serving a similar function. Whenever any provision requires any action or determination to be made by, or any approval of, a Board of Directors, such action, determination or approval shall be deemed to have been taken or made if approved by a majority of the directors (excluding employee representatives, if any) on any such Board of Directors (whether or not such action or approval is taken as part of a formal board meeting or as a formal board approval).

“Bondholder” means each Person in whose name the Bonds are registered on the Registrar’s books.

“Bond Security Agents” means the Onshore Bond Security Agent or Offshore Bond Security Agent, as applicable.

“Bond Security Documents” means the Bond Collateral Coordination Agreement and each collateral pledge agreement, security assignment agreement or other document under which the Bond Collateral is pledged to secure the Bonds.

“Business Day” means each day that is not a Saturday, Sunday or other day on which banking institutions in New York, London, Riyadh and DIFC are authorized or required by law to close.

“Calculation Date” means each Scheduled Calculation Date and each Additional Calculation Date.

“Capitalized Lease Obligations” means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes in accordance with Saudi GAAP, as applicable, as in effect on the Issue Date, and the amount of Indebtedness represented by such obligation shall be the capitalized amount of such obligation determined in accordance with Saudi GAAP, as in effect on the Issue Date; and the stated maturity thereof shall be the date of the last payment of rent or any other amount due under such lease on or prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

“Capital Stock” means:

- (a) in the case of a corporation, corporate stock;
- (b) in the case of an association or business entity that is not a corporation, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;
- (c) in the case of a partnership or limited liability company, partnership interests or shares in the capital of the company (whether general or limited) or membership interests; and
- (d) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person, but excluding from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

“Casualty Event” means an event (other than ordinary course wear and tear or business interruption) that causes all or a portion of the project to be damaged, destroyed or rendered unfit for normal use for any reason whatsoever.

“Change of Control” means:

- (a) the adoption of a plan relating to the liquidation or dissolution of the Issuer;
- (b) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of APP and its Subsidiaries and NOMAC and its Subsidiaries, taken as a whole, to any “person” (as that term is used in Section 13(d) of the Exchange Act) other than a Permitted Holder; or
- (c) the Permitted Holders shall cease to Beneficially Own, at anytime, in the aggregate, directly or indirectly, Capital Stock representing 50% or more of the Issuer’s, APP’s or NOMAC’s outstanding Voting Stock, measured by voting power rather than number of shares.

“Clearstream” means Clearstream Banking, societe anonyme, or any successor securities clearing agency.

“**Code**” means the U.S. Internal Revenue Code of 1986, as amended.

“**Collateral Coordination Agreement**” means the Collateral Coordination Agreement dated on or about the Issue Date and as amended from time to time among, *inter alios*, the Onshore Bond Security Agent, Offshore Bond Security Agent, the Bond Trustee, the Sukuk Delegate and the other parties named therein, as amended, restated or otherwise modified or varied from time to time.

“**Collection Account**” means the account established and maintained by the Issuer for the receipt of all dividends, shareholder loans or fees from APP, any intermediate holding company of APP, NOMAC Holding Company (and, following completion of the NOMAC Obligations, any other *de minimis* shareholder of NOMAC) or NOMAC.

“**Consolidated Debt Service Coverage Ratio**” means for any period the ratio of (a) the sum of the Project Company Cash Flows Available for Debt Service and the NOMAC Cash Flows Available for Debt Service minus Operating Expenses of the Issuer, for such period and (b) the sum of the Project Company Debt Service and Debt Service of the Issuer for such period, in each case as reflected in certifications reasonably acceptable to the Bond Trustee.

“**Corporate Trust Office**” means the principal office of the Bond Trustee at which at any particular time corporate trust business of the Bond Trustee shall be administered, which at the date hereof is at Citigroup Centre, 25 Canada Square, Canary Wharf, London E14 5LH, or such other office as may be designated by the Bond Trustee to us and to each Bondholder.

“**Debt Service**” means, (x) for any period, without duplication, the sum of all cash principal and cash interest payments (including any cash withholding tax payments in connection therewith) and any cash fees, expenses, breakage costs, termination costs and other cash amounts required to be paid during such period under the Bonds, the Indenture, any Additional Bonds and the Bond Security Documents, (y) as of any date, without duplication, the sum of all cash, principal and cash interest payments (including any cash withholding tax payments in connection therewith) and any cash fees, expenses, breakage costs, termination costs and other cash amounts required to be paid on such date under the Bonds, the Indenture, any Additional Bonds and the Bond Security Documents.

“**Debt Service Coverage Ratio**” or “**DSCR**” means in relation to the Debt Service Coverage Ratio Period for any Calculation Date the ratio of (a) the aggregate amount of funds deposited in the Collection Account during such Debt Service Coverage Ratio Period in the form of cash dividends, fees, distributions on any shareholder loans (excluding any equity contributions from ACWA Power including but not limited to any Equity Cure and any extraordinary payments, distributions or dividends from the Project Companies, intermediate holding companies of APP or NOMAC related to an Expropriation Event, Insurance Event, a Refinancing Event or Restricted Company Asset Sale) minus Operating Expenses of the Issuer, for such Debt Service Coverage Ratio Period and (b) the total Debt Service for such Debt Service Coverage Ratio Period, in each case as reflected in certifications reasonably acceptable to the Bond Trustee.

“**Debt Service Coverage Ratio Period**” means in relation to any Calculation Date the 12 (twelve) month period ending on (and including) that Calculation Date.

“**Debt Service Reserve Account**” means the USD-denominated, segregated account (or a sub-account of the Collection Account) established and maintained by the Issuer as a debt service reserve account for the benefit of the holders of the Bonds, any Additional Bonds and the Trust Certificates.

“**Debt Service Reserve Requirement**” means (x) as of the Issue Date and any Payment Date after the Issue Date and prior to December 15, 2031, an amount equal to the Debt Service scheduled to be due and payable under the Indenture and the Bonds for the 12 (twelve) month period following the relevant Payment Date and (y) as of any Payment Date on or after December 15, 2031 (other than the Payment Date immediately preceding the Maturity Date), an amount equal to the greater of: (i) Debt Service scheduled to be due and payable under the Indenture and the Bonds for the 12 (twelve) month period following the relevant Payment Date and (ii) the average annual Debt Service due and payable on the Bonds through to the Maturity Date; *provided* that in the case of clause (y) in no event shall the Debt Service Reserve Requirement exceed the amount of remaining Debt Service due and payable on the Bonds through to the Maturity Date. For the Payment Date immediately prior to the Maturity Date, the Debt Service Reserve Requirement shall be equal to the average Debt Service due and payable under the Indenture and the Bonds through to the Maturity Date.

“**Default**” means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

“**DIFC**” means the Dubai International Financial Centre.

“**Disqualified Stock**” means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case at the option of the holder of the Capital Stock), or upon

the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, on or prior to the date that is 365 days after the date on which the Bonds mature. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the Issuer to repurchase such Capital Stock upon the occurrence of a change of control or an asset sale will **not constitute Disqualified Stock if the terms of such Capital Stock provided that the Issuer may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the covenant described above under the caption “—Certain Covenants—Restricted Payments.”**

“**Distribution Account**” means the account established and maintained by the Issuer for any excess cash after debt service in the Collection Account, subject to the distribution test and compliance with the mandatory redemption provisions, over which Bondholders will not have a security interest.

“**DTC**” means The Depository Trust Company, its nominees and their respective successors.

“**Eligible Investments**” means any one or more of the following obligations or securities, regardless of whether any such obligation or security is issued by the Bond Trustees or Offshore Bond Security Agent or any of their respective Affiliates, which (i) is USD-denominated, (ii) is acquired at a purchase price of not greater than par, (iii) has a remaining maturity not exceeding 180 days, (iv) is an unsubordinated obligation of its issuer, and (v) structured on a Shari’ah-compliant basis:

- (a) Direct obligations of, and obligations fully guaranteed as to timely payment of principal and interest by, the U.S. government, or any agency or instrumentality of the U.S. government the obligations of which are backed by the full faith and credit of the U.S. government;
- (b) Demand and time deposits in, certificates of deposit of, or bankers’ acceptances issued by any depository institution or trust company incorporated under the laws of the U.S. or any state thereof or the District of Columbia, or the laws of any member state of the European Union (other than Ireland, Cyprus, Spain, Greece and Portugal), the Kingdom of Saudi Arabia or the United Arab Emirates (including the DIFC) and having at any date of determination combined capital, reserves and surplus of not less than USD 1 billion (or the equivalent in another currency) and a long term unsecured unsubordinated debt rating of not less than BBB by either S&P and/or Fitch and/or Baa2 by Moody’s at the time of investment;
- (c) Repurchase obligations with respect to any security described in clause (a) above entered into with a depository institution or trust company acting as principal meeting the requirements set forth in clause (b) above; or
- (d) Money market funds, which are offshore from the U.S., having a rating in the highest investment grade credit rating category granted thereby by S&P and/or Fitch and/or Moody’s at the time of acquisition, including any fund for which either the Bond Trustee, Offshore Bond Security Agent or Onshore Bond Security Agent or any of their respective affiliates serve as an investment adviser, administrator, shareholder, servicing agent, custodian or sub-custodian notwithstanding that the Bond Trustee, Offshore Bond Security Agent or Onshore Bond Security Agent or any of their respective affiliates charges and collects fees and expenses from such funds for services rendered.

“**Equity Interest**” means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

“**Euroclear**” means Euroclear Bank SA/NV or any successor securities clearing agency.

“**Exchange Act**” means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

“**Expansion Project Company**” means any Person created to hold or pursue the expansion of any project held by a Project Company on the Issue Date or any expansion of a project held by an Expansion Project Company.

“**Expropriation Event**” means an Expropriatory Action that occurs with respect to a Project Company’s or an Expansion Project Company’s assets or Equity Interests of any intermediate holding company of APP, for which expropriation compensation in an amount greater than \$5.0 million in aggregate is received by the Project Companies, Expansion Project Companies, Project Bidding Companies or any intermediate holding company of APP.

“**Expropriatory Action**” means any action or series of actions taken, authorized or ratified by the Kingdom of Saudi Arabia (or a governing authority which is under the *de facto* control of the Kingdom of Saudi Arabia) for appropriation, confiscation, expropriation or nationalization (by intervention, condemnation or other form of taking, including by revocation or cancellation by the Government of the Kingdom of Saudi Arabia of an agreement to which the Government of the Kingdom of Saudi Arabia is not a party and such revocation or cancellation could reasonably

be expected to have a Material Adverse Effect), whether with or without compensation and whether in accordance with law or otherwise (including through confiscatory taxation or imposition of confiscatory charges which could reasonably be expected to have a Material Adverse Effect).

“**Fair Market Value**” except as otherwise specified herein, may be conclusively established by means of an Officer’s Certificate or a resolution of the Board of Directors of the Issuer setting out such fair market value as determined by such Officer or such Board of Directors in good faith.

“**Guarantee**” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, including any such obligation, direct or indirect, contingent or otherwise, of such Person:

- (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or
- (b) entered into primarily for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part);

“**Hedging Obligations**” means, with respect to any specified Person, the obligations of such Person under:

- (a) interest rate swap agreements (whether from fixed to floating or from floating to fixed), interest rate cap agreements and interest rate collar agreements;
- (b) other agreements or arrangements designed to manage interest rates or interest rate risk; and
- (c) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange rates.

“**IFRS**” means the International Financial Reporting Standards, as adopted by the International Accounting Standards Board.

“**Indebtedness**” means, with respect to any Person on any date of determination (without duplication) any indebtedness of such Person, whether or not contingent:

- (a) in respect of borrowed money;
- (b) in respect of any *Shari’ah* compliant financing arrangement;
- (c) evidenced by bonds, notes, debentures or similar instruments or letters of credit;
- (d) representing the balance deferred and unpaid of the purchase price of any property or services due more than 90 (ninety) calendar days after such property is acquired or services completed (excluding accounts payable or accrued liabilities incurred in the ordinary course of business);
- (e) Indebtedness of others secured by any Lien on property owned or acquired by such Person, whether or not the obligations secured thereby have been assumed, calculated as the lower of the Indebtedness so secured and the Fair Market Value of the Property subject to such Lien;
- (f) all Guarantees by such Person of Indebtedness of others;
- (g) all Capitalized Lease Obligations of such Person;
- (h) net obligations under Hedging Obligations (the amount of any such obligations to be equal at anytime to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time);
- (i) all obligations of such Person as an account party in respect of letters of credit (or reimbursement agreements in respect thereof) and bankers’ acceptances.

The amount of Indebtedness of any Person at any date (other than with respect to letters of credit or Guarantees or Indebtedness specified in clause (e) or (h) above) shall equal the amount thereof that would appear on a balance sheet of such Person (excluding any notes thereto) prepared on the basis of Saudi GAAP or IFRS, as applicable.

“**Independent Financial Advisor**” means an investment banking or accounting firm of international standing or any third party appraiser of international standing; *provided, however*, that such firm or appraiser is not an Affiliate of the Issuer.

“**Insurance Event**” means an event pursuant to which insurance proceeds are received by the Project Companies, the Expansion Project Companies, the Project Bidding Companies or any intermediate holding company of APP in respect of insurance policies for physical loss or damage to assets or property on account of a Casualty Event.

“Investment” means, with respect to any Person, all direct or indirect investments by such Person in other Persons in the forms of loans (including guarantees of Indebtedness), advances or capital contributions (excluding commission, loans, travel and similar advances to officers and employees made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities issued by such other Persons, together with all items that are or would be classified as investments on a balance sheet prepared in accordance with Saudi GAAP or IFRS.

“Irrevocable Instructions” means the irrevocable instructions in the relevant assignment agreements and the Indenture relating to the deposit of funds by certain ACWA Power entities into the Collection Account.

“Issue Date” means May 15, 2017.

“Issuer” means ACWA Power Management and Investments One Limited, a special purpose company incorporated with limited liability in the UAE (DIFC).

“Issuer Asset Sale” means any sale, disposition, transfer or assignment by the Issuer of, or imposition of a Lien on, (i) any of the Debt Service Reserve Account, the Collection Account or the Redemption Account or any interest in such Accounts other than sales, disposition, transfer or assignment in accordance with the provisions described under the caption “—*Payment Waterfall*,” and (ii) any of other assets of the Issuer which are part of the Bond Collateral.

“Issuer Excluded Assets” means all assets of the Issuer, whether existing on the Issue Date or thereafter acquired, other than the Accounts and any intercompany claims constituting part of the Bond Collateral.

“Issuer Pledge Agreement” means the pledge agreement to be dated on or about the Issue Date among the ACWA Power, the Issuer and the Security Agent.

“Lien” means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

“Make-Whole Premium” means, with respect to any Bond on any redemption date, the excess of: (1) the present value at such redemption date of (i) the principal amount of such Bond at such redemption date *plus* (ii) all required interest payments due on such Bond through December 15, 2039 (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Treasury Rate as of such redemption date plus 50 basis points; *over* (2) the principal amount of the Bond, if greater, as calculated by the Issuer or other party appointed by it for this purpose.

“Material Adverse Effect” means a material adverse effect (in each case as determined in good faith by the Issuer’s Board of Directors) on: (a) the Issuer’s and the Restricted Companies’ (taken as a whole) financial position, results of operations, cash flows, asset conditions or operations; (b) the Issuer’s ability to perform its obligations under any Transaction Document to which it is a party; (c) the legal ability of the Project Companies, the Expansion Project Companies, the Project Bidding Companies, any intermediate holding company of APP or NOMAC, to pay dividends, fees or disbursements on any intercompany loans in an aggregate amount in excess of 5% of the funds deposited in the Collection Account on the next Payment Date; (d) the validity or enforceability of the Irrevocable Instructions with respect to the assignment of dividends, fees or disbursements on any intercompany loans having a Fair Market Value in excess of 5% of the funds deposited in the Collection Account on the next Payment Date; or (e) the validity or priority of the Liens on the Bond Collateral having a Fair Market Value in excess of 5% of the funds deposited in the Collection Account on the next Payment Date or the ability of the Bond Trustee or the relevant Security Agent to enforce their rights and remedies under the Indenture, the Bonds or the Bond Security Documents or the Collateral Coordination Agreement.

“Maturity Date” means December 15, 2039.

“Moody’s” means Moody’s Investors Service, Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

“Nationally Recognized Statistical Rating Organization” means a nationally recognized statistical rating organization within the meaning of Section 3(a)(62) of the Exchange Act.

“Net Proceeds” means the aggregate cash proceeds received by any Restricted Company in respect of any Restricted Company Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any non-cash consideration received in any Restricted Company Asset Sale), Expropriation Event or any Refinancing Event as well any Insurance Event, net of the direct costs relating to such Restricted Company Asset Sale,

Expropriation Event, Refinancing Event or Insurance Event, as the case maybe, including, without limitation, legal, accounting and investment banking fees, sales commissions, and any relocation expenses incurred as a result of the Restricted Company Asset Sale, Expropriation Event, Refinancing Event or Insurance Event, as the case maybe, taxes paid or payable as a result of the Restricted Company Asset Sale, Expropriation Event, Refinancing Event or Insurance Event, as the case may be, in each case, after taking into account any available tax credits or deductions and any tax sharing arrangements, and amounts required to be applied to the repayment of Indebtedness, secured by a Lien on the asset or assets that were the subject of such Restricted Company Asset Sale, Expropriation Event, Refinancing Event or Insurance Event, as the case may be or otherwise required to be repaid in connection with such Restricted Company Asset Sale, Expropriation Event, Refinancing Event or Insurance Event, as the case may be and any reserve for adjustment in respect of the sale price of such asset or assets established in accordance with Saudi GAAP.

“NOMAC” means pre the NOMAC Restructuring, First National Operations & Maintenance Company Limited, a limited liability company incorporated in the Kingdom of Saudi Arabia and, post the conversion of First National Operations & Maintenance Company Limited into a closed joint stock company, First National Operations & Maintenance Company JSC, a joint stock company incorporated in the Kingdom of Saudi Arabia.

“NOMAC Cash Flows Available for Debt Service” means the sum of dividends and fees received by NOMAC less any operating expenses incurred at NOMAC.

“NOMAC KSA Entities” means Rabigh Operation and Maintenance Company, Rabigh Power Company, Suez NOMAC O&M Holding Company W.L.L. and Jubail Operation Holdings Company W.L.L.

“NOMAC Restructuring” means a corporate restructuring in relation to NOMAC as described in the Offering Memorandum.

“O&M Agreements” means:

- (i) O&M Agreement entered into between Jubail Water and Power Company as the Owner and Suez Nomac O&M Holdings W.L.L. as the Operator dated June 9, 2007, as novated by the Operator to Jubail O&M Company Limited as the New Operator on June 28, 2008, in respect of JWAP;
- (ii) O&M Agreement entered into between Al-Mourjan for Electricity Production Company as the Project Company and First National Operation and Maintenance Company LLC as the operation and maintenance contractor dated November 30, 2013, MEPCO;
- (iii) O&M Agreement entered into between, Shuaibah Expansion Project Company as the Owner and Alimtiaaz Operation and Maintenance Company as the operation and maintenance contractor dated July 15, 2007, in respect of SEPCO;
- (iv) O&M Agreement entered into between, among others, Shuqaiq Water and Electricity Company as the Project Company and First National Operation and Maintenance Company LLC as the operation and maintenance contractor dated February 28, 2007, as amended, in respect of SqWEC;
- (v) O&M Agreement entered into between, among others, Shuaibah Water and Electricity Company as the Owner and Saudi Malaysia Operation and Maintenance Services Company Limited as the operation and maintenance contractor dated January 14, 2006, in respect of SWEC;
- (vi) O&M Agreement entered into between Rabigh Arabian Water and Electricity Company as the Project Co and Rabigh Power Company LLC as the operation and maintenance contractor dated June 12, 2014, in respect of RAWEC;
- (vii) O&M Agreement entered into between, Rabigh Electricity Company as the Project Company and Rabigh Operation and Maintenance Company Limited as the operation and maintenance contractor dated July 11, 2009, in respect of RABEC;
- (viii) O&M Agreement entered into between Hajr For Electricity Production Company as the Project Company and First National Operation and Maintenance Company LLC as the operation and maintenance contractor dated September 21, 2011, as amended on February 3, 2012, in respect of HEPCO; and
- (ix) O&M Agreement entered into between International Barges Company for Desalination, Ltd., as the Owner and First National Operation & Maintenance Company, Ltd., as the Operator dated August 1, 2010, as amended, in respect of Bowerage.

“Offering Memorandum” means the offering memorandum dated May 3, 2017 prepared in connection with the issuance of the Bonds.

“Officer’s Certificate” means a certificate signed by the principal executive officer, principal financial officer, general counsel, director or other officer of the Issuer or APP and delivered to the Bond Trustee.

“**Offshore Sukuk Security Agent**” means Citibank, N.A. appointed pursuant to the Collateral Coordination Agreement.

“**Onshore Sukuk Security Agent**” means Citibank, N.A. appointed pursuant to the Collateral Coordination Agreement.

“**Operating Expenses**” means the aggregate of (but without double counting):

- (a) all general, administrative and maintenance expenses and fees incurred in connection with the establishment and maintenance of the Issuer and its Accounts;
- (b) all fees, costs, indemnities, disbursements, liabilities and expenses and all equivalent or similar amounts payable to the Bond Trustee, Security Agent, the Sukuk Agents or any of their respective agents;
- (c) all fees, costs and expenses and all equivalent or similar amounts payable by the Issuer in relation to the Letter of Credit;
- (d) any payments of taxes; and
- (e) any costs and expenses paid (or in the case of a projection, projected to be paid) in relation to any Eligible Investments, and any loss incurred (or in the case of a projection, projected to be incurred) in the realization thereof by the Issuer during that period.

“**Opinion of Counsel**” means a written opinion from legal counsel reasonably satisfactory to the Bond Trustee.

“**Parent**” means ACWA Power or any Person of which APP NOMAC or the Issuer at anytime is or becomes a direct or indirect Subsidiary after the Issue Date and any holding companies established by any Permitted Holder for purposes of holding its investment in any Parent.

“**Payment Date**” means June 15 and December 15 each year commencing on June 15, 2017.

“**Permitted Holder**” means, collectively, (i) ACWA Power, (ii) any shareholder of ACWA Power on the Issue Date and (iii) any Related Person of any such Permitted Holder.

“**Permitted Investments**” means

- (a) Investments by the Restricted Companies in (x) Equity Interests of, any direct or indirect interest in or any rights related to participation in cash flows from, any Project Company, Expansion Project Company or Project Bidding Company; *provided* that (i) any cash flows related to such Permitted Investment (which may be indirect cash flows and to the extent the distribution of any cash flows is restricted by legal or contractual requirements, no less than 95% of such cash flows) are pledged or assigned in favor of the Bondholders and the holders of the Trust Certificates and (ii) any additional cash flows, and to the extent the distribution of any cash flows is restricted by legal or contractual requirements, no less than 95% of such additional cash flows generated from such Permitted Investment (which may be indirect cash flows) are deposited into the Collection Account and the APMI Two Collection Account (which in the event of any indirect cash flows, may be so deposited at the time of the distribution of such indirect cash flows) on a *pro rata* basis pursuant to an irrevocable instruction from the relevant Restricted Company and (y) in the form of loans by a Restricted Company to any Project Company, Expansion Project Company or Project Bidding Company; *provided* that (i) any cash flows related to such Permitted Investment (which may be indirect cash flows) are pledged or assigned in favor of the Bondholders and the holders of the Trust Certificates and (ii) any cash flows related to such Permitted Investment (which may be indirect cash flows) are paid into the Collection Account and the APMI Two collection account on *pro rata* basis pursuant to an irrevocable instruction from the relevant Restricted Company;
- (b) Investments by APMI Two related to the Trust Certificates;
- (c) Investments in a Restricted Company;
- (d) Investments in any Person that is, or that result in any Person becoming immediately after such Investment, a Subsidiary of a Restricted Company or constituting a merger or consolidation of such Person into a Restricted Company; *provided* that such Person or the applicable Restricted Company grants security and/or assigns cash flows to secure the Issuer’s obligations under the Bonds;
- (e) Investments in accounts receivable, advances, extensions of credit to customers and accrued expenses and liabilities incurred in the ordinary course of business;
- (f) Investments in cash or Eligible Investments;
- (g) Investments in ACWA Power and other direct or indirect Subsidiaries or Affiliates of ACWA Power (whether or not a Restricted Company) made solely with the net proceeds of the Offering and Sukuk Offering as set forth under “*Use of Proceeds*”;
- (h) Investments in ACWA Power and other direct or indirect Subsidiaries or Affiliates of ACWA Power (whether or not a Restricted Company) made solely with the net proceeds of Additional Bonds;

- (i) any Investments received in compromise or resolution of (A) litigation, arbitration or other disputes; or (B) obligations of Persons that were incurred in the ordinary course of business of any Restricted Company including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any Persons;
- (j) Investments in payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business; and
- (k) Investments in Capital Stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Restricted Companies.

“**Permitted Liens**” means, with respect to any Person:

- (a) Liens in favor of the Offshore Bond Security Agent or the Onshore Bond Security Agent on behalf of the Bondholders specifically created or required to be created under or pursuant to the Indenture or any of the Bond Security Documents;
- (b) Liens in favor of the Offshore Sukuk Security Agent or the Onshore Sukuk Security Agent on behalf of the Trust Certificate holders specifically created or required to be created under or pursuant to the Sukuk Documents or any of the Sukuk Security Documents;
- (c) Liens over assets and property not constituting the Bond Collateral securing Indebtedness incurred in compliance with clauses (b) and (c) under “*Certain Covenants—Incurrence of Indebtedness*” above;
- (d) Liens imposed by any governmental authority for taxes, government charges or labor claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted and for which adequate reserves or other appropriate provision with respect thereto are maintained to the extent required by Saudi GAAP or IFRS, as applicable;
- (e) Liens granted to the Bond Trustee, Offshore Bond Security Agent or Onshore Bond Security Agent for its compensation and indemnities pursuant to any Transaction Document;
- (f) Liens granted to the Sukuk Trustee for its compensation and indemnities pursuant to the Sukuk Documents;
- (g) Liens to secure Additional Bonds; *provided* that (i) they are incurred in compliance with “*Certain Covenants—Incurrence of Indebtedness*” and (ii) that such Liens shall at all times be *pari passu* with the Liens granted in clause (1) of this definition;
- (h) Liens arising by virtue of any statutory provisions or customary terms relating to banker’s Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depository or financial institution incurred in the ordinary course of business;
- (i) Liens, deposits or pledges to secure statutory or contractual obligations, performance of bids, trade contracts, leases, surety and appeal bonds performance bonds and other obligations of a like nature, in each case, other than for borrowed money and incurred in the ordinary course of business;
- (j) Statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, suppliers, materialmen, repairmen and other Liens imposed by law (including tax Liens) incurred in the ordinary course of business for sums not yet delinquent or being contested in good faith, if such reserve or other appropriate provision, if any, as shall be required by Saudi GAAP or IFRS, as the case may be shall have been made in respect thereof;
- (k) Liens incurred or deposits made in the ordinary course of business (i) in connection with workers’ compensation, unemployment insurance and other types of social security or (ii) to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, government performance and return-of-money bonds and other similar obligation, in each case other than for borrowed money;
- (l) Liens over assets and property not constituting the Bond Collateral existing on the Issue Date (and any extensions, renewals, replacements to any such Liens not securing Indebtedness *provided* that (i) any such amendment, modification, extension, renewal or replacement shall be no more restrictive in any material respect than the Lien so amended, modified, extended, renewed or replaced and (ii) such Liens shall be limited to the property or part thereof that secured the Lien so replaced);
- (m) Liens to secure any Refinancing Indebtedness which is incurred to Refinance any Indebtedness which has been secured by a Lien permitted under the covenant described under “—*Certain Covenants—Limitation on Liens*” and which Indebtedness has been incurred in accordance with “—*Certain Covenants—Incurrence of Indebtedness*”; *provided* that such new Liens:
 - a. are no less favorable to the Holders of Bonds and are not more favorable, in each case, taken as a whole, to the lienholders with respect to such Liens than the Liens in respect of the Indebtedness being refinanced;
 - b. do not extend to any property or assets other than the property or assets securing the Indebtedness refinanced by such Refinancing Indebtedness (plus improvements and accessions to such property or proceeds or distributions thereof); and

- c. to the extent such Lien relates to the Bond Collateral, the holders of such Indebtedness (or their representative) accede to the Collateral Coordination Agreement or Additional Collateral Coordination
- (n) Judgment Liens not giving rise to an Event of Default so long as such Lien is adequately bonded and any appropriate legal proceedings which may have been duly initiated for the review of such judgment have not been finally terminated or the period within which such proceeding may be initiated has not expired and if such reserve or other appropriate provision, if any, as shall be required by Saudi GAAP or IFRS, as the case may be shall have been made in respect thereof;
- (o) Liens constituting any interest of title of a lessor, a licensor or either's creditors in the property subject to any lease (other than a capital lease); and
- (p) defects, easements, rights of way, restrictions, irregularities, encumbrances or other Liens (in each case other than for borrowed money) and clouds on title and statutory Liens (or other Liens that arise as a matter of law) that do not materially impair the value or use of the property affected and that do not individually or in the aggregate materially impair the validity, perfection or priority (except Liens granted priority by operation of law) of the Liens granted under the Bond Security Documents.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

"Preferred Stock" as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"Project Bidding Companies" means each of: (i) Shuqaiq International Water and Electricity Company; (ii) Saudi Malaysia Water and Electricity Company Limited; (iii) Qurayyah Investment Company Limited; (iv) SGA Marafiq Holdings W.L.L; and (v) Shuaibah Expansion Holding Company Limited.

"Project Companies" means each of: (i) Shuaibah Water and Electricity Co. ("**SWEC**"), a closed joint stock company incorporated in the Kingdom of Saudi Arabia; (ii) Shuqaiq Water and Electricity Co. ("**SQWEC**"), a closed joint stock company incorporated in the Kingdom of Saudi Arabia; (iii) Shuaibah Expansion Project Company ("**SEPCO**"), a closed joint stock company incorporated in the Kingdom of Saudi Arabia; (iv) Rabigh Arabian Water and Electricity Company ("**RAWEC**"), a limited liability company incorporated in the Kingdom of Saudi Arabia; (v) Rabigh Electricity Co. ("**RABEC**"), a closed joint stock company incorporated in the Kingdom of Saudi Arabia; (vi) Jubail Water and Power Company ("**JWAP**"), a closed joint stock company incorporated in the Kingdom of Saudi Arabia; (vii) International Barges Co. for Water Desalination ("**Bowarege**"), a limited liability company incorporated in the Kingdom of Saudi Arabia and (viii) Hajr for Electricity Production Company ("**HEPCO**"), a closed joint stock company incorporated in the Kingdom of Saudi Arabia.

"Project Company Documents" means

- (i) in respect of JWAP:
 - Power and Water Purchase Agreement entered into between SGA Marafiq Holdings W.L.L. as the Seller and Marafiq Water and Power Supply Company (Tawreed) dated January 15, 2007, as novated by the Seller to Jubail Water and Power Company by the PWPA Novation Agreement dated May 14, 2007;
 - EPC Contract entered into between Jubail Water and Power Company as the Owner and General Electric International Inc., Societe Internationale De Dessalement and Hyundai Heavy Industries Company Limited as the EPC Contractor dated June 4, 2007, related Guarantee and Performance and Retention Bonds;
 - Long-term Parts and Repair Agreement entered into between, among others, Jubail Water and Power Company as the Buyer and Tractebel Parts & Repairs FZE as the Supplier dated June 9, 2007;
 - O&M Agreement entered into between, among others, Jubail Water and Power Company as the Owner and Suez Nomac O&M Holdings W.L.L. as the operation and maintenance contractor dated June 9, 2007, and related O&M Guarantees dated June 9, 2007, and an O&M Novation Agreement dated June 28, 2008;
 - Shareholders' Agreement for Project Company entered into between SGA Marafiq Holdings W.L.L, Power and Water Utility Company for Jubail and Yanbu, Saudi Electricity Company and Public Investment Fund of the Kingdom of Saudi Arabia dated December 20, 2006;
 - Sub-Lease Agreement entered into between Marafiq Water and Power Supply Company (Tawreed) and Jubail Water and Power Company as the Seller dated June 17, 2007;
 - SWCC Water Interconnection Agreement entered into between Saline Water Conversion Corporation and Jubail Water and Power Company dated June 30, 2007;

- Marafiq Water Interconnection Agreement entered into between Power and Water Utility Company for Jubail and Yanbu and Jubail Water and Power Company dated May 27, 2007;
- SEC Electricity Interconnection Agreement entered into between Saudi Electricity Company and Jubail Water and Power Company dated May 27, 2007; and
- MOF Credit Support entered into between the Ministry of Finance of the Kingdom of Saudi Arabia and Jubail Water and Power Company dated May 14, 2007.

(ii) in respect of SEPCO:

- Water Purchase Agreement entered into between Shuaibah Expansion Project Company and Water and Electricity Company LLC dated July 15, 2007;
- EPC Contract entered into between Doosan Heavy Industries and Construction as the EPC Contractor and Shuaibah Expansion Project Company as the Owner and EPC Performance Security dated July 15, 2007;
- Water Interconnection Agreement entered into between Shuaibah Expansion Project Company as the Company and Saline Water Conversion Corporation dated December 13, 2009;
- O&M Agreement entered into between, among others; Shuaibah Expansion Project Company as the Owner and Alimtiiaz Operation and Maintenance Company as the operation and maintenance contractor dated July 15, 2007, and an O&M Sub-contract with the First National Operation and Maintenance Company LLC dated July 15, 2007, as novated on September 5, 2012, and related O&M Sub-contract Guarantee dated July 15, 2007, and an O&M Performance Bond;
- Shared Facilities Agreement entered into between Shuaibah Expansion Project Company, SWEC, Doosan Heavy Industries and Construction Co. Limited as the Expansion EPC Contractor, Siemens Aktiengesellschaft as the IWPP EPC Contractor, Alimtiiaz Operation & Maintenance Company LLC as the Expansion Operator, Saudi Malaysia Operation and Maintenance Services Company as the IWPP Operator, First National Operation and Maintenance Company LLC as the Expansion Subcontractor and Water and Electricity Company LLC dated July 26, 2007;
- Shareholders Agreement entered into between, among others, Shuaibah Expansion Project Company, Saudi Malaysia Water & Electricity Co., Ltd., Saudi Electricity Company and Public Investment Fund of the Government of the Kingdom of Saudi Arabia dated July 15, 2007, as amended; Land Lease Agreement entered into between Saline Water Conversion Corporation and Shuaibah Expansion Project Company as the Company dated July 25, 2007, as amended; and
- WEC Credit Support issued by the Ministry of Finance of Saudi Arabia in favour of Shuaibah Expansion Project Company as the Company dated July 17, 2007.

(iii) in respect of SQWEC:

- Power and Water Purchase Agreement entered into between Shuciaiq Water and Electricity Company as the Company and Water and Electricity Company LLC dated February 28, 2007;
- EPC Contract entered into between Shuciaiq Water and Electricity Company as the Owner and Mitsubishi Heavy Industries Ltd. as the EPC Contractor dated February 28, 2007, and EPC Performance Security; O&M Agreement entered into between, among others, Shuciaiq Water and Electricity Company as the Project Company and First National Operation and Maintenance Company LLC as the operation and maintenance contractor dated February 28, 2007, and an O&M Guarantee dated February 18, 2007, as amended, the O&M Guarantee dated February 18, 2007, the Deed of Novation of the O&M Guarantee dated September 5, 2012, and an O&M Performance Bond;
- Shareholders' Agreement entered into between Shuqaiq Water and Electricity Company as the Company, Shuqaiq International Water and Electricity Company LLC, Saudi Electricity Company and Public Investment Fund of the Government of the Kingdom of Saudi Arabia dated February 26, 2007;
- Subordinated Shareholder Loan Agreements entered into by Shuqaiq Water and Electricity Company with Water and Electricity Holding Company, Shuqaiq International Water and Electricity Company LLC and Saudi Electricity Company, each dated May 25, 2014, in respect of SqWEC; Land Lease Agreement entered into between Saline Water Conversion Corporation and Shuqaiq Water and Electricity Company as the Company dated February 28, 2007; and
- WEC Credit Support Agreement between the Ministry of Finance of Saudi Arabia and Shuqaiq Water and Electricity Company dated February 28, 2007.

(iv) in respect of SWEC:

- Power and Water Purchase Agreement entered into between Shuaibah Water and Electricity Company as the Company, and Water and Electricity Company LLC, dated November 15, 2005, as amended on May 10, 2006;
- EPC Contract entered into between Shuaibah Water and Electricity Company as the Owner and Siemens Aktiengesellschaft and Doosan Heavy Industries and Construction Co. Ltd. as the EPC Contractor dated 2005 and EPC Performance Security;
- Electricity Interconnection Agreement entered into between Shuaibah Water and Electricity Company as the Company and Saudi Electricity Company;
- Water Interconnection Agreement entered into between Shuaibah Water and Electricity Company as the Company and Saline Water Conversion Company dated February 1, 2009;
- O&M Agreement entered into between Shuaibah Water and Electricity Company and Saudi Malaysia Operation and Maintenance Services Company Limited as the operation and maintenance contractor/ Operator dated January 14, 2006, an O&M Sub-contract, O&M Sub-contract Guarantee, O&M Sub-contract Assignment Agreement and O&M Sub-contract Performance Bond, each dated January 14, 2006;
- Land Lease Agreement entered into between Shuaibah Water and Electricity Company as the Company and Saline Water Conversion Company dated November 15, 2005;
- WEC Credit Support Agreement entered into between the Ministry of Finance of Saudi Arabia as the Guarantor and Shuaibah Water and Electricity Company as the Company dated January 8, 2006; and
- Shareholders' Agreement entered into between, among others, Saudi Malaysia Water & Electricity Co., Ltd., Saudi Electricity Company and Public Investment Fund of the Government of the Kingdom of Saudi Arabia dated November 14, 2005 (as amended, including on June 22, 2009).

(v) in respect of RAWEC:

- O&M Agreement entered into between Rabigh Arabian Water and Electricity Company as the ProjectCo and Rabigh Power Company LLC as the operation and maintenance contractor dated June 12, 2014, and the O&M Company Shareholders' Agreement dated July 12, 2014;
- Amended and Restated Land Sub-Lease Agreement entered into between Rabigh Refining & Petrochemical Company (Petro-Rabigh) and Rabigh Arabian Water and Electricity Company dated February 5, 2015;
- Amended and Restated Water and Energy Conversion Agreement entered into between Rabigh Refining and Petrochemical Company and Rabigh Arabian Water and Electricity Company dated March 9, 2015, as amended;
- EPC Contract entered into between Marubeni Corporation, JGC Corporation, Itochu Corporation, Arabian Company for Water and Power Projects Ltd. and Mitsubishi Heavy Industries, Ltd, dated August 7, 2005, as novated to Rabigh Arabian Water and Electricity Company on December 22, 2005 and Phase II EPC Contract with Mitsubishi Heavy Industries Ltd as the Contractor, dated October 30, 2012, and related Performance Securities, as amended;
- Amended and Restated Ancillary Services Agreement entered into between Rabigh Refining and Petrochemical Company as Petro-Rabigh and Rabigh Arabian Water and Electricity Company as the Contractor dated February 25, 2015;
- Technical Services Agreement entered into between Rabigh Arabian Water and Electricity Company as the Owner and STEAG Energy Services GmbH as the Technical Services Provider dated December 16, 2014; and
- Amended and Restated Shareholders' Agreement entered into between Marubeni Corporation, JGC Corporation, JGC-ITC Rabigh Utility Co.,Ltd., Arabian Company for Water and Power Projects Limited, Rabigh Refining and Petrochemical Company (Petro-Rabigh), Rabigh Arabian Water and Electricity Company dated December 17, 2014.

(vi) in respect of RABEC:

- Power Purchase Agreement entered into between Rabigh Electricity Company and Saudi Electricity Company dated July 11, 2009, as amended latest on June 23, 2016;
- EPC Contract entered into between Rabigh Electricity Company as the Owner and SEPC0111 Electric Power Construction Corporation and Dongfang Electric Corporation Limited as the EPC Contractor dated July 9, 2009, EPC Performance and Retention Security;
- EPC Contract for the Ammonia Decommissioning Modification Works entered into between Rabigh Electricity Company and SEPC0111 Electric Power Construction Corporation dated June 22, 2016;

- Sub-Lease Agreement entered into between Saudi Electricity Company and Rabigh Electricity Company as the Company dated 11 July 2009;
- Shareholders' Agreement entered into between Saudi Electricity Company, KEPCO Netherlands B.V., Rabigh Project Company Limited and Rabigh Electricity Company dated July 18, 2009 and First Amendment to Shareholders' Agreement dated August 11, 2009;
- O&M Agreement entered into between, among others, Rabigh Electricity Company and Rabigh Operation and Maintenance Company Limited as the operation and maintenance contractor, O&M Guarantee, both dated July 11, 2009, and an O&M Company Shareholders' Agreement dated May 11, 2009; and
- Electricity Interconnection Agreement entered into between Saudi Electricity Company and Rabigh Electricity Company as the Company dated July 11, 2009.

(vii) in respect of Bowerage:

- Raka-Bowarege Performance Agreement entered into between Raka Saudia Power & Water Co. Ltd and International Barges Company for Water Desalination dated April 1, 2008 and Addendum to the Performance Agreement dated June 1, 2013; Supplementary Agreement to provide and supply Desalinated Water from Reversal Osmosis Plants Two Floating Ships (Pantoons) to Water Tanks of Shuaibah Water Treatment Plants between Saline Water Conversion Corporation and Saudi Raka Power and Water Co. Ltd (Raka) dated June 17, 2009;
- Operation & Maintenance Agreement entered into between International Barges Company for Water Desalination Ltd. as Owner and First National Operation & Maintenance Company, Ltd. as Operator dated 1 August 2010 and amended on 31 July 2013;
- Support Services Agreement entered into between International Barges Company for Water Desalination Ltd. and International Company for Water and Power Projects dated 22 November 2009 as amended on 28 December 2010;
- Agreement to Extend Board Secretarial Services entered into between International Barges Company for Water Desalination Ltd. and International Company for Water and Power Projects dated 1 November 2010;

(viii) In respect of HEPCO:

- Power Purchase Agreement entered into between Hajr for Electricity Production Company as the Company and Saudi Electricity Company dated September 21, 2011; Supply Contract entered into between Hajr for Electricity Production Company as the Owner and Samsung C&T Corporation dated September 21, 2011, as amended on November 23, 2011, and the related Retention Bond and Performance Security;
- Construction Contract entered into between Hajr for Electricity Production Company as the Owner and Samsung C&T Corporation Saudi Arabia dated September 21, 2011, as amended on November 23, 2011, and the related Retention Bond and Performance Security;
- EPC Bridging Agreement entered into between Hajr for Electricity Production Company as the Company and Samsung C&T Corporation dated September 21, 2011, as amended on November 23, 2011;
- O&M Agreement entered into between Hajr for Electricity Production Company as the Project Company and First National Operation and Maintenance Company LLC as the operation and maintenance contractor dated September 21, 2011 as amended on February 3, 2012, and O&M Guarantee dated September 21, 2011;
- Site Use Agreement entered into between Hajr for Electricity Production Company and Saudi Electricity Company dated September 21, 2011;
- LTSA Coordination, Service and Parts Supply Agreements entered into between, among others, First National Operation and Maintenance Company LLC as the operation and maintenance contractor, Siemens Energy Inc. (SEI) as the LTSA Parts Supply Contractor and ISCOA Industries and Maintenance Ltd as the LTSA Service Contractor, each dated September 21, 2011; and
- Shareholders' Agreement entered into between Hajr for Electricity Production Company as the Company, Saudi Electricity Company and Qurayyah Investment Company Limited dated September 21, 2011, as amended on March 1, 2012.

“Project Company Cash Flows Available for Debt Service” mean at anytime and in respect of any period all cash operating revenues and income generated by the Project Companies less the aggregate amount of operating costs, cash expenses and taxes incurred by the Project Company.

“Project Company Debt Service” means (x) for any period, without duplication, the sum of all cash principal and cash interest payments (including any cash withholding tax payments in connection therewith) and any cash fees, expenses, breakage costs, termination costs and other cash amounts required to be paid during such period under

the Project Finance Documents, (y) as of any date, without duplication, the sum of all cash, principal and cash interest payments (including any cash withholding tax payments in connection therewith) and any cash fees, expenses, breakage costs, termination costs and other cash amounts required to be paid on such date under the Project Finance Documents.

“**Project Documents**” means the Project Company Documents, the O&M Agreements, the Shareholders’ Agreements, the Project Shareholder Loans and the Project Finance Documents taken together.

“**Projected Debt Service Coverage Ratio**” means, for any Calculation Period ending on each Calculation Date, the ratio of (a) the aggregate amount of funds projected to be deposited in the Collection Account during the twelve month period next succeeding such Calculation Date in the form of dividends, fees, distributions on any shareholder loans (excluding any equity contributions from ACWA Power including but not limited to any Equity Cure and any extraordinary payments, distributions or dividends from the Project Companies, intermediate holding companies of APP or NOMAC related to an Expropriation Event, Casualty Event, a Refinancing Event or Restricted Company Asset Sale) minus projected Operating Expenses of the Issuer during the twelve month period next succeeding such Calculation Date, and (b) the total Debt Service projected to be payable during the twelve month period next succeeding such Calculation Date, which in each case shall be calculated in good faith by the Issuer and submitted to the Bond Trustee pursuant to the provisions of the Indenture.

“**Project Finance Documents**” means:

(i) in respect of JWAP:

- Common Terms Agreement entered into between, among others, Jubail Water and Power Company as the Company, BNP Paribas as Global Facility Agent, Mizuho Corporate Bank, Ltd. as Offshore Security Trustee dated May 14, 2007, as amended;
- International Facilities Agreement entered into between Jubail Water and Power Company as the Company, BNP Paribas as the International Facilities Agent and Original International Facilities Credit Providers dated May 14, 2007, and facilities agreements in respect of Equity Bridge Facilities, LRA Facility, KEIC Covered Facility, each dated May 14, 2007, and Working Capital Facility dated September 14, 2014, as amended;
- Equity Subscription and Retention Agreement and PIF Equity Subscription and Retention Agreement entered into between, among others, Jubail Water and Power Company as the Company and BNP Paribas as the Global Facility Agent dated May 26, 2007, and May 14, 2007, respectively;
- Subordinated Loan Agreements entered into by Jubail Water and Power Company with Power and Water Utility Company for Jubail and Yanbu and Saudi Electricity Company, each dated December 29, 2014, with SGA Marafiq Holdings W.L.L. dated March 25, 2015, and Water and Electricity Holding Company dated 2005;
- Direct Agreements in respect of the Power and Water Purchase Agreement, EPC Contract, Long Term Parts and Repair Agreement, O&M Agreement, SWCC Water Interconnection Agreement, Marafiq Interconnection Agreement, Saudi Electricity Company Electricity Interconnection Agreement entered into between, among others, the Company, the Offshore Security Trustee, the Onshore Security Agent or the Islamic Facility Agent, as applicable;
- Onshore Assignment Agreement, Onshore Security Over Accounts, Onshore Pledge of Plant and Equipment and Agreements for Security over Shares, each dated May 14, 2007 (except the Agreement for Security Over Shares entered into by Saudi Electricity Company, which is dated May 26, 2007), and ECRA Letter of Undertaking entered into with Samba Financial Group as the Onshore Security Agent;
- Offshore Assignment of Shareholder Loans, Offshore Assignment of Insurance Proceeds, Offshore Assignment of Reinsurance Proceeds and Offshore Deed of Charge and Assignment, each dated May 14, 2007, entered into with Mizuho Corporate Bank, Ltd. as the Offshore Security Trustee;
- Wakala Agreement entered into between Jubail Water and Power Company as the Company and Riyadh Bank as the Islamic Facility Agent on behalf of Riyadh Bank, Al Rahji Banking & Investment Corporation and National Commercial Bank as the Islamic Finance Institutions dated May 14, 2007, and related Islamic Finance documents;
- Interest Rate Swap Trade Confirmations entered into between Jubail Water and Power Company and Samba Financial Group and Standard Chartered Bank, respectively;
- MOF Credit Support Notice and Consent issued by the Ministry of Finance in favour of Jubail Water and Power Company as the Company in respect of TAWREED’s payment obligations under the PWPA;
- Shareholder Business Mortgage executed by SGA Marafiq Holdings W.L.L in favour of Gulf International Bank B.S.C. as the Bahrain Security Agent dated May 14, 2007;

- Share Mortgage executed by Tractebel Parts & Repairs FZE, Power and Water Investments Limited and AQUA Marafiq Water and Electricity Company in favour of Gulf International Bank B.S.C. as the Bahrain Security Agent dated May 14, 2007;
- Shareholder Guarantee executed by the SGA Marafiq Holdings W.L.L in favour of Gulf International Bank B.S.C. as the Bahrain Security Agent dated May 14, 2007; and
- Co-operation Agreement entered into by the SGA Marafiq Holdings W.L.L, Tractebel Parts & Repairs FZE, Suez-Energy, Office National Du DuCroire, the Global Facility Agent and the Bahrain Security Agent dated May 23, 2007.

(ii) in respect of SEPCO:

- Common Terms Agreement entered into between, among others, Shuaibah Expansion Project Company as the Company, Bayerische Landesbank (London Branch) as the Arranger, EBL Arranger, Commercial Facility Agent, Equity Bridge Facility Agent, Intercreditor Agent, Offshore Security Agent and Offshore Account Bank dated July 15, 2007;
- Commercial Facility Agreement entered into between Shuaibah Expansion Project Company, Bayerische Landesbank (London Branch) as Commercial Facility Agent and the Intercreditor Agent and Original Commercial Lenders dated July 15, 2007, the Equity Bridge Facility Agreement dated July 15, 2007 and the Master Murabaha Agreement dated January 26, 2016;
- Wakala Agreement entered into between Shuaibah Expansion Project Company as the Wakil and Gulf International Bank B.S.C. as the Islamic Facility Agent dated July 15, 2007, and all related Islamic Finance Documents;
- Onshore Assignment Agreement, Company Share Pledge Agreement, Onshore Pledge over Accounts Agreement, Onshore Assignment of Account Agreement, Onshore Assignment of Intellectual Property Rights Agreement, Plant and Equipment Pledge Agreement, O&M Sub-Contract Assignment, each dated July 15, 2007, and Onshore Assignment Agreement dated July 25, 2007, entered into between, among others, the Company and Gulf International Bank B.S.C., Riyadh Branch as the Onshore Security Agent;
- Offshore Deed of Charge and Assignment between Shuaibah Expansion Project Company as the Chargor, Bayerische Landesbank (London Branch) as the Offshore Account Bank and the Offshore Security Agent dated July 15, 2007;
- Reinsurance Assignment Deeds and Reinsurer Acknowledgments entered into in accordance with paragraph 2.3 of Part A of Schedule 5 (Insurances) to the Common Terms Agreement;
- Direct Agreements in respect of the EPC Contract, the O&M Agreement, the WPA, the Water Interconnection Agreement, each entered into between, among others, Shuaibah Expansion Project Company as the Company, and Gulf International Bank B.S.C., Riyadh Branch as the Onshore Security Agent or Bayerische Landesbank (London Branch) as the Offshore Security Trustee (as applicable) dated July 15, 2007, and a direct agreement in respect of the Land Lease dated July 25, 2007;
- WEC Credit Support Notice by Gulf International Bank B.S.C., Riyadh Branch as the Onshore Security Agent dated July 31, 2007;
- Permitted Hedging Agreements entered into between the Company and the Hedging Bank in accordance with the terms of the Hedging Programme;
- ECRA Letter of Undertaking issued or to be issued by ECRA in favour of Gulf International Bank B.S.C., Riyadh Branch as the Onshore Security Agent dated July 16, 2007; and
- Accession Deed by Bayerische Landesbank (London Branch) dated July 16, 2007, as a Hedging Bank under the Common Terms Agreement.

(iii) in respect of SQWEC:

- Common Terms Agreement entered into between, among others, the Core Mandated Lead Arrangers, Gulf International Bank B.S.C. as Islamic Facility Agent, Junior Facility Agent, Equity Bridge Facility Agent and Intercreditor Agent, Bayerische Landesbank, London Branch as Offshore Security Agent and Riyad Bank as Onshore Security Agent dated February 27, 2007, as amended;
- Commercial Facilities Agreement entered into between Shuqaiq Water and Electricity Company as the Company, Bayerische Landesbank, London Branch as the Commercial Facility Agent, Gulf International Bank B.S.C. as the Intercreditor Agent and the Original Commercial Lenders, and facilities agreements in respect of the Working Capital Facility, Junior Facility and Equity Bridge Facilities, each dated February 27, 2007, except for the Working Capital Facility Agreement, as amended;
- GIC and Mitsubishi Guarantees issued by GIC and Mitsubishi, respectively, in favour of Gulf International Bank B.S.C. dated February 27, 2007, and the Public Investment Fund of the Kingdom of Saudi Arabia Guarantee issued by Public Investment Fund dated March 24, 2007;

- Onshore Account Security Agreement, Onshore Assignment Agreement, Onshore Assignment of IP Rights Agreement, Pledge Over Plant and Equipment, WEC Credit Support Notice and Consent and Bidder Share Pledge Agreement, each dated March 24, 2007, Shareholder Loan Assignment Agreements dated May 25, 2014, entered into between, among others, Shuqaiq Water and Electricity Company as the Company and Riyadh Bank as the Onshore Security Agent;
- Offshore Deed of Charge and Assignment and the Offshore Account Security Agreement and entered into between, among others, Shuqaiq Water and Electricity Company as the Company and Bayerische Landesbank, London Branch as the Offshore Security Agent, each dated February 27, 2007, as amended;
- Reinsurance Assignment Deeds and Reinsurer Acknowledgments entered into in accordance with paragraph 2.3 of Part 1 of Schedule 5 (Insurances) to the Common Terms Agreement;
- Ancillary Conventional Agreement entered into between, among others, Shuqaiq Water and Electricity Company as the Company and Bayerische Landesbank, London Branch, Gulf International Bank B.S.C., Riyadh Bank, Samba Financial Group and Woori Bank as the Core Mandated Lead Arrangers dated February 27, 2007;
- Promissory Notes issued pursuant to the Junior Facility Agreement;
- Subordination Agreement entered into between Shuqaiq Water and Electricity Company, the Shareholders and Gulf International Bank B.S.C., dated May 25, 2014;
- Permitted Hedging Agreements entered into between the Company and the Hedging Bank in accordance with the terms of the Hedging Programme;
- Hedging Notes issued by Shuqaiq Water and Electricity Company as the Company;
- Subordinated Shareholder Loan Agreements entered into by Shuqaiq Water and Electricity Company with Water and Electricity Holding Company, Shuqaiq International Water and Electricity Company LLC and Saudi Electricity Company, each dated May 25, 2014;
- Direct Agreements with respect to the EPC Contract, O&M Agreement, Power and Water Purchase Agreement, each dated February 28, 2007, and the Land Lease Agreement dated March 24, 2007, entered into between, among others, Shuqaiq Water and Electricity Company as the Company and Bayerische Landesbank, London Branch as the Offshore Security Agent and Riyadh Bank as the Onshore Security Agent (as applicable);
- ECRA Letter of Undertaking issued by ECRA in favour of Shuqaiq Water and Electricity Company as the Company dated March 17, 2007;
- Wakala Agreement entered into between Shuqaiq Water and Electricity Company as the Company and Gulf International Bank B.S.C. as the Islamic Facility Agent dated February 27, 2007, and related Islamic Finance Documents; and
- Interest Rate Swap Confirmations entered into between Shuqaiq Water and Electricity Company and Samba Financial Group and Standard Chartered Bank, respectively.

(iv) in respect of SWEC:

- Common Terms Agreement entered into between, among others, Shuaibah Water and Electricity Company as the Company, Core Mandated Lead Arrangers, ABN Amro Bank N.V., London Branch as Commercial Facility Agent, Intercreditor Agent, Offshore Security Agent and Offshore Account Bank, Riyadh Bank as Onshore Security Agent and Onshore Account Bank dated December 21, 2005, as amended and restated in 2006;
- Commercial Facilities Agreement entered into between Shuaibah Water and Electricity Company as the Company, ABN Amro Bank N.V., London Branch as the Commercial Facility Agent and the Intercreditor Agent, and the Commercial Lenders dated December 21, 2005, as amended and restated in 2006, and facilities agreements in relation to the Equity Bridge Facilities dated December 21, 2005, as amended on August 1, 2006, and the Master Murabaha Agreement dated January 3, 2016;
- Wakala Agreement between Shuaibah Water and Electricity Company as the Wakil and Riyadh Bank as the Islamic Facility Agent on behalf of Riyadh Bank, Al Rajhi Banking & Investment Corporation and National Commercial Bank as the Islamic Finance Institutions dated December 21, 2005, and related Islamic Finance Documents;
- Direct Agreements with respect to the O&M Agreement, Power and Water Purchase Agreement and Land Lease, each dated December 21, 2005, entered into between, among others, Shuaibah Water and Electricity Company as the Company and Riyadh Bank as the Onshore Security Agent or ABN Amro Bank N.V., London Branch as the Offshore Security Trustee, as applicable;
- ECRA Letter of Undertaking dated March 8, 2006, Onshore Security over Accounts Agreement, Onshore Assignment of Intellectual Property Rights Agreement and Onshore Assignment Agreement, each dated

January 14, 2006, Plant and Equipment Pledge Agreement dated January 18, 2006, WEC Credit Support Notice and Consent dated January 8, 2006, Share Pledge Agreements for Saudi Malaysia Water & Electricity Co, Saudi Electricity Company, Water and Electricity Holding Company and Shuaibah Water and Electricity Company respectively entered into between, among others, Shuaibah Water and Electricity Company as the Company and Riyad Bank as the Onshore Security Agent;

- Offshore Deed of Charge and Assignment and Offshore Account Security Agreement entered into between, among others, Shuaibah Water and Electricity Company as the Company and ABN Amro Bank N.V., London Branch, each dated January 14, 2006;
- Reinsurance Assignment Deeds and Reinsurer Acknowledgments entered into in accordance with paragraph 2.3 of Part A of Schedule 5 (Insurances) to the Common Terms Agreement; O&M Sub—Contract Assignment between Saudi Malaysia Operation and Maintenance Services Company Limited as the Assignor and Shuaibah Water and Electricity Company as the Company dated January 14, 2006;
- Permitted Hedging Agreements entered into between the Company and the Hedging Bank in accordance with the terms of the Hedging Programme;
- Interest Rate Swap Trade Confirmations between Shuaibah Water and Electricity Company and the Saudi British Bank, Standard Chartered Bank and Natexis Banques Populaires;
- Ancillary Conventional Agreement entered into between the Company and the Conventional Finance Parties;
- Promissory Notes in respect of the Commercial Facility Agreement, the K-Exim Facility Agreement or the Equity Bridge Facilities Agreement, each dated July 18, 2016; and
- Hermes Policy.

(v) in respect of RAWEC:

- Common Terms Agreement entered into between, among others, Rabigh Arabian Water and Electricity Company as the Borrower, Mizuho Bank Ltd. as the Facility A Bank and the Facility C Bank, the Bank of Tokyo Mitsubishi UFJ, Ltd. as the Facility B Bank and the loan agreements with respect to Facility A, Facility B and Facility C, each dated December 16, 2014;
- Amendment and Restatement Agreement entered into between, among others, Rabigh Arabian Water and Electricity Company as the Borrower, Banque Saudi Fransi as the Onshore Security Agent, Credit Agricole Corporate & Investment Bank as the Offshore Security Trustee and Rabigh Refining and Petrochemical Company as the Lender and the Equity Obligor dated March 9, 2015;
- Subordinated Murabaha Facility Agreement entered into between Rabigh Arabian Water & Electricity Company as the Buyer, International Company for Water and Power Projects as the Guarantor and Banque Saudi Fransi as the Seller dated January 5, 2015;
- Subordinated Loan Agreements entered into by Rabigh Arabian Water & Electricity Company with JGC Corporation, Arabian Company for Water and Power Projects, Limited, and Axia Power Holdings B.V., each dated May 27, 2014;
- Base Equity Bridge Loan Agreement entered into between Rabigh Arabian Water and Electricity Company as the Borrower, Gulf International Bank B.S.C. as the Bank and Arabian Company for Power and Water Projects (Limited) as the Sponsor Guarantor dated March 20, 2006;
- Equity Support Agreement entered into between, among others, Rabigh Arabian Water and Electricity Company as the Borrower, Rabigh Refining and Petrochemical Company as the Lender and the Equity Obligor and Calyon as the Offshore Security Trustee dated March 28, 2006;
- Phase II Subordination Agreement entered into between, among others, Rabigh Arabian Water and Electricity Company as the Borrower, Mizuho Bank, Ltd. and the Bank of Tokyo Mitsubishi UFJ, Ltd. as the Equity Bridge Lenders, Credit Agricole Corporate & Investment Bank as the Offshore Security Trustee dated December 16, 2014;
- Phase II Term Facility (Commission) Promissory Note and Equity Support Agreement—Subordinated Note, each dated March 24, 2015;
- Subordination Agreement entered into between, among others, Rabigh Arabian Water and Electricity Company as the Borrower, Mizuho Corporate Bank, Ltd., Gulf International Bank B.S.C. as the Equity Bridge Banks, Calyon as the Administrative Agent and the Offshore Security Trustee dated March 28, 2006;
- Assignment and Pledge of Onshore Accounts and Amended and Restated Pledge Over Plant and Equipment, each dated March 9, 2015;
- Direct Agreement with respect to the O&M Agreement dated July 7, 2014 and the Lenders' Direct Agreement dated March 20, 2006; and
- Interest Rate Swap Confirmation entered into between Rabigh Arabian Water and Electricity Company and Gulf International Bank B.S.C.

(vi) in respect of RABEC:

- Common Terms Agreement entered into between, among others, Rabigh Electricity Company as the Company and Standard Chartered Bank as Intercreditor Agent dated July 28, 2009, as amended on June 22, 2016;
- KEIC Covered Facility Agreement entered into between, among others, Rabigh Electricity Company as the Company, Standard Chartered Bank as the KEIC Covered Facility Agent and Calyon, HSBC Bank plc, Standard Chartered Bank, Bank of China as the Original KEIC Covered Facility Lenders dated July 28, 2009, Equity Bridge Loan Agreement dated July 20, 2009, and a facility agreement with respect to the Working Capital Facility dated December 25, 2013, as amended;
- Wakala Agreement entered into between, among others, Rabigh Electricity Company as the Wakil and SABB Securities Limited as the Islamic Facility Agent dated July 28, 2009 and other Islamic Finance Documents, as amended;
- Coordination Deed entered into between, among others, Rabigh Electricity Company as the Company, Standard Chartered Bank as the Offshore Security Trustee, SAMBA Financial Group as the Onshore Security Agent, Standard Chartered Bank as the Intercreditor Agent, SABB Securities Limited as the Wakala-Ijara Facility Agent and the Procurement Facility Agent, Standard Chartered Bank as the KEIC Covered Facility Agent, the Hedge Providers and International Company for Water and Power Projects as EBL Facility Agent dated July 28, 2009;
- Equity Subscription and Retention Agreement entered into between Rabigh Electricity Company as the Company, Standard Chartered Bank as the Intercreditor Agent, the Facility Agent under the Equity Bridge Loan Agreement, ACWA, KEPCO, Saudi Electricity Company and Saudi Electricity Company Holdco as the Initial Shareholders and ACWA Power Projects and KEPCO HoldCo as the Sponsors dated July 28, 2009, and Subordinated Loan Agreement dated March 20, 2013, as amended;
- Onshore Assignment Agreement, Agreements for Security Over Shares, Onshore Security over Accounts Agreement, Onshore Pledge of Plant and Equipment, Onshore Assignment of IP Rights Agreement, Onshore Assignment of Insurance Proceeds and Onshore Assignments of Shareholder Loans, each dated July 28, 2009, entered into between, among others, Rabigh Electricity Company as the Company and Samba Financial Group as the Onshore Security Agent, as amended;
- Offshore Deed of Charge and Assignment, Offshore Deed of Charge and Assignment of Shareholder Loans, Offshore Assignment of Reinsurance Proceeds entered into between, among others, Rabigh Electricity Company as the Company, Standard Chartered Bank as the Offshore Security Trustee, each dated July 28, 2009, and the Saudi Electricity Company Holdco Offshore Shareholder Loan Assignment Agreement, as amended;
- Interest Rate Swap Confirmation entered into between Rabigh Electricity Company and Mizuho, Samba Financial Group, The National Commercial Bank, Jeddah, and Standard Chartered Bank respectively;
- Saudi Electricity Company Holdco Share Pledge Agreement dated July 28, 2009;
- Direct Agreements with respect to the Power Purchase Agreement, O&M Agreement, EPC Contract, Sub-Lease and Electricity Interconnection Agreement entered into between, among others, Rabigh Electricity Company as the Company, Standard Chartered Bank as the Offshore Security Trustee or Samba Financial Group as the Onshore Security Agent, and dated July 28, 2009; and
- ECRA Letter of Acknowledgement dated July 11, 2009, sent by Rabigh Electricity Company to ECRA and acknowledged by ECRA on July 13, 2009.

(vii) in respect of HEPCO:

- Common Terms Agreement, entered into between, among others, Hajr For Electricity Production Company as the Company, the Original Mandated Lead Arrangers, Sumitomo Mitsui Banking Corporation Europe Limited as the Intercreditor Agent and Offshore Security Trustee and Arab National Bank in its capacity as the Onshore Security Agent dated December 2, 2011, as amended;
- Coordination Deed entered into between, among others, Hajr For Electricity Production Company as the Company, the Credit Providers, Sumitomo Mitsui Banking Corporation Europe Limited as the Offshore Security Trustee and Intercreditor Agent and Arab National Bank as the Onshore Security Agent and the Subordinated Creditors, dated December 2, 2011, as amended;
- Commercial Facility Agreement entered into between, among others, Hajr For Electricity Production Company as the Company and Sumitomo Mitsui Banking Corporation Europe Limited as the Commercial Facility Agent dated December 2, 2011, and facilities agreements with respect to the EBL Murabaha Facilities dated November 2, 2011, KEXIM Covered Facility, KEXIM Direct Facility and Hermes Covered Facility, each dated December 2, 2011, and the Ex-Im Bank Facility dated February 8, 2012;

- Equity Subscription and Retention Agreement entered into between, among others, Hajr For Electricity Production Company as the Company, the Saudi Electricity Company and Qurayyah Investment Company Limited as the Shareholders, Sumitomo Mitsui Banking Corporation Europe Limited as the Offshore Security Trustee and Arab National Bank as the Onshore Security Agent and Subordinated Advance Agreement, each dated December 2, 2011;
- Direct Agreements with respect to the Power Purchase Agreement, the Supply Contract, the Construction Contract, the Bridging Agreement, the O&M Agreement, the Electricity Interconnection Agreement, the Site Use Agreement, the LISA Coordination, Service and Parts Supply Agreements, entered into between, among others, Hajr For Electricity Production Company as the Company, Sumitomo Mitsui Banking Corporation Europe Limited as the Offshore Security Trustee or the Arab National Bank as the Onshore Security Agent, each dated February 27, 2012;
- ECRA Letter of Acknowledgement sent by Hajr For Electricity Production Company as the Company to ECRA and acknowledged by ECRA dated October 29, 2011;
- Investment Agency Agreement entered into between, among others, Hajr For Electricity Production Company as the Company, Banque Saudi Fransi as the Islamic Facility Agent and Banque Saudi Fransi, The National Commercial Bank, The Saudi British Bank, Samba Financial Group, Arab National Bank as the Islamic Finance Institutions dated December 2, 2011, and other Islamic Finance Documents;
- Agreements for Security over Shares, Onshore Assignment Agreement, Onshore Assignment of Insurance Proceeds, Onshore Assignment of IP Rights Agreement, Onshore Assignment of Accounts Agreement, Onshore Pledge over Accounts Agreement, Onshore Pledge of Plant and Equipment, each dated February 1, 2012, entered into between, among others, Hajr For Electricity Production Company as the Company and Arab National Bank as the Onshore Security Agent;
- Offshore Assignments of Reinsurance Proceeds, English Charge and Assignment, both dated February 1, 2012, and the New York Account Pledge dated February 8, 2012, entered into between, among others, Hajr For Electricity Production Company as the Company and Sumitomo Mitsui Banking Corporation Europe Limited as the Offshore Security Trustee;
- Interest Rate Swap Confirmations between Hajr For Electricity Production Company and Banque Saudi Fransi, Riyadh, The National Commercial Bank, SABB, Samba Financial Group, Standard Chartered Bank respectively;
- Commission Note and Principal Note issued by Hajr For Electricity Production Company pursuant to the Common Terms Agreement; and
- Assignment of the MENA Subordinated Advance Agreement, the LISA dated February 1, 2012, and the LISA Service Agreement Guarantee dated June 20, 2012.

(viii) in respect of Bowerage:

- Loan Agreement between International Barges for Water Desalination Co. Ltd as the Borrower and Saudi Industrial Development Fund as the Fund dated March 6, 2010; and
- Loan Agreement between International Barges for Water Desalination Co. Ltd as the Borrower and Saudi Hollandi Bank dated 31 December 2013.

“Project Shareholders Loans” means each of the shareholder loans provided under the following subordinated loan agreements:

- (i) Subordinated Advance Agreement entered into between Qurayyah IPP HoldCo Limited and Hajr For Electricity Production Company dated December 2, 2011, in respect of HEPCO;
- (ii) Subordinated Loan Agreements entered into by Jubail Water and Power Company with Power and Water Utility Company for Jubail and Yanbu and Saudi Electricity Company, each dated December 29, 2014, with SGA Marafiq Holdings W.L.L. dated March 25, 2015, and Water and Electricity Holding Company dated 2005, in respect of JWAP;
- (iii) Subordinated Loan Agreement entered into between Rabigh Electricity Company and Saudi Electricity Company dated March 20, 2013, in respect of RABEC;
- (iv) Subordinated Loan Agreements entered into by Rabigh Arabian Water & Electricity Company with JGC Corporation, Arabian Company for Water and Power Projects, Limited, and Axia Power Holdings B.V., each dated May 27, 2014, in respect of RAWEC;
- (v) Phase II Subordination Agreement entered into between, among others, Rabigh Arabian Water and Electricity Company as the Borrower, Mizuho Bank, Ltd. and the Bank of Tokyo Mitsubishi UFJ, Ltd. as the Equity Bridge Lenders, Credit Agricole Corporate & Investment Bank as the Offshore Security Trustee dated December 16, 2014, in respect of RAWEC;

- (vi) Subordination Agreement entered into between Shuqaiq Water and Electricity Company, the Shareholders and Gulf International Bank B.S.C. dated May 25, 2014, in respect of SqWEC;
- (vii) Subordinated Shareholder Loan Agreements entered into by Shuqaiq Water and Electricity Company with Water and Electricity Holding Company, Shuqaiq International Water and Electricity Company LLC and Saudi Electricity Company, each dated May 25, 2014, in respect of SqWEC; and
- (viii) Subordination Agreement entered into between Saudi-Malaysia Water and Electricity Company Limited, Saudi Electricity Company and Water and Electricity Company as the Subordinated Creditors, the Royal Bank of Scotland N.V., London Branch, as the Intercreditor Agent and Shuaibah Water and Electricity Company as the Company dated January 18, 2012, in respect of SWEC.

“Rating Agency” means Moody’s and S&P or, in the event Moody’s or S&P no longer assigns a rating to the Bonds, any other Nationally Recognized Statistical Rating Organization who assigns a rating to the Bonds in lieu of the ratings by Moody’s or S&P.

“Ratings Reaffirmation” means, in the case of an action or proposed action, that any two Rating Agencies then rating all or a portion of the Bonds provides a ratings reaffirmation of such Bonds that the then current rating on the Bonds will not be lower, after giving effect to the relevant action, than the ratings of the Bonds in effect immediately prior to such action or proposed action.

“Record Date” means a date falling 15 (fifteen) calendar days (whether or not Business Days) immediately preceding the applicable Payment Date.

“Refinance” means, in respect of any indebtedness, to issue any Indebtedness to refinance, renew, extend, replace, defease, discharge or refund such Indebtedness in whole or in part. The terms “refinances,” “refinanced” and “refinancing” as used for any purpose in the Indenture shall have a correlative meaning.

“Refinancing Event” means a refinancing, redemption, prepayment or repayment in whole or in part of any Indebtedness incurred by the Project Companies.

“Refinancing Indebtedness” means Indebtedness of the Issuer or any Restricted Company issued to refinance any other Indebtedness of the Company or a Restricted Company (other than intercompany indebtedness) so long as:

- (i) the aggregate principal amount (or accreted value, if applicable) of such Refinancing Indebtedness as of the date of such proposed Refinancing does not exceed the aggregate principal amount (or accreted value, if applicable) of the Indebtedness being Refinanced (plus the amount of any premium required to be paid under the terms of the instrument governing such Indebtedness and the amount of reasonable fees, expenses and defeasance costs, if any incurred in connection with such Refinancing); and
- (ii) such new Indebtedness has:
 - (a) a Weighted Average Life to Maturity that is equal to or greater than the Weighted Average Life to Maturity of the Indebtedness being Refinanced;
 - (b) a final maturity that is equal to or later than the final maturity of the Indebtedness being Refinanced; and
 - (c) if the Indebtedness being Refinanced is subordinated in right of payment to the Bonds, such Refinancing Indebtedness is expressly subordinated in right of payment to, the Bonds, as applicable, on terms at least as favorable to the Bondholders as those contained in the documentation governing the Indebtedness being Refinanced.

“Related Person” with respect to any Permitted Holder means: (i) in the case of an individual, any spouse, family member or relative of such individual, any trust or partnership for the benefit of one or more of such individual and any such spouse, family member or relative, or the estate, executor, administrator, committee or beneficiaries of any thereof; or (ii) any trust, corporation, partnership or other Person for which one or more of the Permitted Holders and other Related Persons or any thereof constitute the beneficiaries, stockholders, partners or owners thereof; or Persons beneficially holding in the aggregate a majority (or more) controlling interest therein

“Restricted Companies” means: (i) before the NOMAC Restructuring, APP and its Subsidiaries (including NOMAC and its Subsidiaries); (ii) after the NOMAC Restructuring: APP and its Subsidiaries and NOMAC and its Subsidiaries, including ROMCO and RPC; (iii) the Issuer and (iv) Saudi Malaysia Water and Electricity Co. Ltd, so long as APP maintains a direct or indirect interest in such entity. Notwithstanding the foregoing, the Restricted Companies shall always exclude the Project Companies and the Expansion Project Companies (whether or not they are Subsidiaries).

“Restricted Company Asset Sale” means any direct or indirect sale, transfer, issuance or other disposition, or a series of related sales, transfers, issuances or dispositions that are part of a common plan, of (i) shares of Capital

Stock of, any direct or indirect interest in or any other property, assets or rights of a Restricted Company related to the operation of, any intermediate holding company of APP, NOMAC KSA Entities, the Project Bidding Companies, any Project Company or any Expansion Project Company, as applicable, in each such case by any Restricted Company or (ii) any assets of NOMAC, including any disposition by means of a merger, consolidation or similar transaction. Notwithstanding the preceding provisions of this definition, the following items shall not be deemed to be a Restricted Company Asset Sales:

- (a) sale of up to 8% direct or indirect Equity Interest in SQWEC; *provided* that after giving effect to such sale APP continues to hold directly or indirectly at least 32% of the Equity Interests in SQWEC;
- (b) sale of up to 3% direct or indirect Equity Interest in RABEC; *provided* that after giving effect to such sale APP continues to hold directly or indirectly at least 37% of the Equity Interests in RABEC;
- (c) sale of any direct or indirect Equity Interest in the Project Companies or Expansion Project Companies; *provided* that after giving effect to such sale APP continues to hold directly or indirectly at least the same amount of Equity Interests as on the Issue Date;
- (d) sales, transfers or other dispositions of assets, properties or rights between or among the Issuer and the Restricted Companies, so long as (i) any such sale, transfer or other dispositions (or series of related sales, transfers or other disposition, taken as a whole) could not reasonably be expected to result in a Material Adverse Effect and (ii) all security interests for the benefit of the Bondholders attached to any asset subject to any such sale or transfer remains in full force and effect after any such sale or transfer;
- (e) the sale, transfer or other disposition of cash or Cash Equivalents including the sale, transfer or other disposition of cash or other assets or property to the Collection Account;
- (f) the sale, transfer or other disposition of all or substantially all of the assets of the Restricted Companies as permitted under “—*Certain Covenants—Merger and Consolidation*” and/or any sale, transfer or other disposition which constitutes a Change of Control;
- (g) the sale, transfer or other disposition of damaged, worn-out or obsolete assets or property in the ordinary course of business;
- (h) an issuance of Capital Stock by a Restricted Company to another Restricted Company; *provided* that such issuance could not reasonably be expected to result in a Material Adverse Effect;
- (i) dispositions in connection the granting of, or foreclosure of or on property or assets secured by, Permitted Liens;
- (j) dispositions of receivables and related assets or interests in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings;
- (k) the settlement, compromise, release, dismissal or abandonment of any action or claims against any Person;
- (l) the issuance of shares of Capital Stock of APP to ACWA Power in connection with the capitalization of any Subordinated Shareholder Funding provided by ACWA Power to APP; *provided* that any such new shares are pledged by ACWA Power in favor of the Bondholders and the holders of the Trust Certificates on a *pro rata* basis;
- (m) the sale, transfer, issuance, or other disposition in connection with the NOMAC Restructuring of non-Saudi Arabia assets, the capital stock of NOMAC to NOMAC Holding Company and any other *de minimis* shareholder of NOMAC, and certain contractual rights to provide operation and maintenance services by NOMAC to a new operation and maintenance company that will provide such services to the Shuaibah IWPP following completion of the NOMAC Restructuring; and
- (m) any Restricted Payment that is permitted to be made, and is made, under the covenant described above under “—*Certain Covenants—Restricted Payments*” and any Restricted Payment permitted to be made under the Sukuk Documents (without duplication).

“**Restricted Investment**” means any Investment that is not a Permitted Investment or Eligible Investment.

“**S&P**” means Standard & Poor’s Investors Ratings Services or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

“**Saudi GAAP**” means generally accepted accounting standards in the Kingdom of Saudi Arabia, consistently applied, as in effect on the Issue Date or, with respect to the covenant “—*Reports*,” as in effect from time to time in the Kingdom of Saudi Arabia.

“**Scheduled Calculation Date**” means any Payment Date.

“**Scheduled Principal Amount**” means the amount of principal to be paid pursuant to the Amortization Schedule.

“**Securities Act**” means the U.S. Securities Act of 1933, as amended, and the rules and regulations of the U.S. Securities and Exchange Commission promulgated thereunder, as amended.

“**Security Agent**” means the Onshore and Offshore Security Agent in relation to the Bond Collateral or Sukuk Collateral, as applicable.

“**Shareholders Agreements**” means:

- (i) Shareholders’ Agreement entered into between SGA Marafiq Holdings W.L.L, Power and Water Utility Company for Jubail and Yanbu, Saudi Electricity Company and Public Investment Fund of the Kingdom of Saudi Arabia dated December 20, 2006, in respect of JWAP;
- (ii) Shareholders Agreement entered into between, among others, Shuaibah Expansion Project Company, Saudi Malaysia Water & Electricity Co., Ltd., Saudi Electricity Company and Public Investment Fund of the Government of the Kingdom of Saudi Arabia dated July 15, 2007, in respect of SEPCO, as amended;
- (iii) Shareholders’ Agreement entered into between, among others, Shuqaiq Water and Electricity Company as the Company, Shuqaiq International Water and Electricity Company LLC, Saudi Electricity Company and Public Investment Fund of the Government of the Kingdom of Saudi Arabia dated February 26, 2007, in respect of SqWEC;
- (iv) Shareholders’ Agreement entered into between, among others, Saudi Malaysia Water & Electricity Co., Ltd., Saudi Electricity Company and Public Investment Fund of the Government of the Kingdom of Saudi Arabia Shareholders’ Agreement dated November 14, 2005, in respect of SWEC, as amended;
- (v) Amended and Restated Shareholders’ Agreement December 17, 2014, and an O&M Shareholders’ Agreement dated June 12, 2014, in respect of RAWEC;
- (vi) Shareholders’ Agreement entered into between, among others, Rabigh Electricity Company, Rabigh Project Company Limited, KEPCO Netherlands B.V., and Saudi Electricity Company dated July 18, 2009, and amended on August 11, 2009, and an O&M Company Shareholders’ Agreement dated May 11, 2009, in respect of RABEC; and
- (vii) Shareholders’ Agreement entered into between Hajr For Electricity Production Company as the Company, Saudi Electricity Company and Qurayyah Investment Company Limited dated September 21, 2011, as amended.

“**Similar Business**” means any businesses, services or activities engaged in by the Restricted Companies on the Issue Date or any business, service or activity related thereto.

“**Stated Maturity**” means, with respect to any Indebtedness, the date specified in such security as the fixed date on which the payment of principal of such Indebtedness is due and payable, including pursuant to any mandatory redemption provision, but shall not include any contingent obligations to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

“**Subsidiary**” means, with respect to any Person:

- (i) any corporation, association, or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which 50% or more of the total voting power of shares of Voting Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof; or
- (ii) any partnership, joint venture, limited liability company or similar entity of which: (a) 50% or more of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof whether in the form of membership, general, special or limited partnership interests or otherwise; and (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

“**Subordinated Shareholder Funding**” means, collectively, any funds or advances provided to APP or a Restricted Company by a Parent or another shareholder of a Restricted Company in exchange for or pursuant to any security, instrument or agreement other than Capital Stock or an increase in equity, in each case issued to and held by a Parent, such shareholder, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock or an increase in equity issued in payment of any obligation under any Subordinated Shareholder Funding; *provided, however*, that such Subordinated Shareholder Funding:

- (i) does not (including upon the happening of any event) mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to the first anniversary of the Maturity Date;
- (ii) does not (including upon the happening of any event) require, prior to the first anniversary of the Maturity Date, payment of cash interest, cash withholding amounts or other cash gross ups, or any similar cash amounts;

- (iii) contains no change of control or similar provisions and does not (including upon the happening of any event) accelerate and has no right (including upon the happening of any event) to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to the first anniversary of the Maturity Date;
- (iv) does not provide for or require any security interest or encumbrance over any asset of the Issuer or the Restricted Companies and is unguaranteed;
- (v) in respect of any Subordinated Shareholder Funding provided by a Parent or a Restricted Company that is a shareholder (a “**Restricted Company Shareholder**”), any claims of the Parent or such Restricted Company Shareholder under the Subordinated Shareholder Funding must be pledged for the benefit of the Bondholders and the Sukuk Holders on a *pro rata* basis;
- (vi) in respect of any Subordinated Shareholder Funding provided by a Parent or a Restricted Company Shareholder pursuant to its terms, such Subordinated Shareholder Funding is subordinated in right of payment to the prior payment in full in cash of the Bonds in the event of any default, bankruptcy, reorganization, liquidation, winding up or other disposition of assets of the Issuer, APP or NOMAC at least to the same extent as the “Subordinated Liabilities” (as defined in the Collateral Coordination Agreement) are subordinated to the Bonds under the Collateral Coordination Agreement;
- (vii) does not (including upon the happening of any event) restrict the payment of amounts due in respect of the Bonds or compliance by the Issuer, APP and NOMAC with their obligations under the Bonds and the Indenture;
- (viii) does not (including upon the happening of an event) constitute Voting Stock;
- (ix) is *Shari’ah* compliant; and
- (x) is not (including upon the happening of any event) mandatorily convertible or exchangeable, or convertible or exchangeable at the option of the holder thereof; in whole or in part, prior to the date on which the Bonds mature, other than into or for Capital Stock (other than Disqualified Stock) of the Restricted Companies; and
- (xi) at the time of the advancement or funding of any Subordinated Shareholder Funding to a Restricted Company by a shareholder other than a Parent or a Restricted Company Shareholder (an “**Other Shareholder**”), the Parent or Restricted Company Shareholder must provide Subordinated Shareholder Funding to such Restricted Company on a *pari passu* basis, such that the Parent’s or such Restricted Company Shareholder’s *pro rata* portion of the aggregate Subordinated Shareholder Funding being made available to such Restricted Company by the Other Shareholder and such Parent or Restricted Company Shareholder, as the case may be, is not less than APP’s aggregate direct or indirect equity interest in such Restricted Company.

Pursuant to the foregoing clause (xi), Subordinated Shareholder Funding will not include funding provided by an Other Shareholder which is provided by that Other Shareholder on a more than its *pro rata* share of any Subordinated Shareholder Funding. Accordingly, if at the time of the winding up or dissolution of a Restricted Company (or the insolvency of a Restricted Company) its assets were not sufficient to repay all its liabilities in full (including liabilities in regards to any Subordinated Shareholder Funding), the Other Shareholder on one hand and the Parent or Restricted Company Shareholder, as the case may be, on the other hand (subject to the rights of any preferred creditors pursuant to applicable insolvency law) would share *pro rata* in any such remaining assets based on their respective portion of such Subordinated Shareholder Funding (which, as a result of the application of the foregoing clause (xi) means that the portion received by the Parent or Restricted Company Shareholder, as the case may be, would not be less than APP’s direct or indirect equity interest in such Restricted Company and the portion received by such Other Shareholder would not be more than its equity interest in such Restricted Company).

“**Sukuk Agency Agreement**” means the agreement between the Sukuk Issuer, ACWA Power Management and Investments Two Limited, the Sukuk Delegate and the Sukuk Agents related to the issuance of Trust Certificates permitted under the Indenture;

“**Sukuk Agents**” means the Registrar, the Principal Paying Agent, the other Paying Agents, the Calculation Agent and the Transfer Agents that may be appointed in connection with an issuance of Trust Certificates permitted under the Indenture;

“**Sukuk Collateral**” means the collateral which is permitted under the Indenture to be pledged to secure the Trust Certificates.

“**Sukuk Commodity Agency Agreement**” means the agreement between the Sukuk Issuer and the Sukuk Commodity Agent in connection with the Sukuk Commodity Murabaha Agreement.

“**Sukuk Commodity Agent**” means Citibank Islamic Investment Bank.

“**Sukuk Commodity Murabaha Agreement**” means the agreement between APMI Two (in its capacity as buyer and the Sukuk Issuer in its capacity as seller for the sale of *Shari’ah* compliant commodities to the buyer on a deferred payment basis) to the extent there are any outstanding Trust Certificates.

“Sukuk Commodity Purchase Agreement” means to the extent there are any outstanding Trust Certificates, the commodity purchase agreement entered into by the Sukuk Trustee and the Sukuk Commodity Agent pursuant to the Sukuk Commodity Murabaha Agreement.

“Sukuk Commodity Sale Agreement” means to the extent there are any outstanding Trust Certificates, the commodity sale agreement entered into by APMI Two and the Sukuk Commodity Agent pursuant to the Sukuk Commodity Murabaha Agreement.

“Sukuk Declaration of Trust” means to the extent there are any outstanding Trust Certificates, the declaration of trust in relation to the Trust Certificates between (among others) the Sukuk Issuer, APMI Two (in its capacity as obligor) and the Sukuk Delegate.

“Sukuk Delegate” means the delegate under the Sukuk Declaration of Trust.

“Sukuk Documents” means each of the Sukuk Declaration of Trust, the Agency Agreement, the Restricted Mudaraba Agreement, Mudaraba Agreement 2, the Commodity Murabaha Agreement, the Collateral Coordination Agreement, the Commodity Agency Agreement, the Sukuk Commodity Purchase Agreement, the Sukuk Commodity Sale Agreement, the Sukuk Settlement Deed, the Sukuk Security Documents and any other agreements, deeds, undertakings or other documents designated as such by the parties thereto.

“Sukuk Issuer” means ACWA Power Sukuk SPC Limited.

“Sukuk Mudaraba Agreement 2” means the agreement between APMI Two and APP appointing APP as Mudarib 2;

“Sukuk Offering” means an offering of the Trust Certificates by the Sukuk Issuer to non-U.S. persons outside the United States after the Issue Date and in accordance with the terms of the Indenture.

“Sukuk Restricted Mudaraba Agreement” means the agreement to the extent there are any outstanding Trust Certificates, between the Sukuk Issuer and APMI Two appointing APMI Two as Mudarib 1;

“Sukuk Security Documents” means to the extent there are any outstanding Trust Certificates, each collateral pledge agreement, security assignment agreement or other document under which collateral is pledged to secure the Trust Certificates as set out in the Collateral Coordination Agreement and the Sukuk Declaration of Trust.

“Sukuk Settlement Deed” means to the extent there are any outstanding Trust Certificates, the settlement deed entered by the Sukuk Commodity Agent, the Sukuk Trustee, APMI Two and the commodity brokers in relation to the Sukuk Commodity Murabaha Agreement.

“Sukuk Trustee” means to the extent there are any outstanding Trust Certificates, ACWA Power Sukuk SPC Limited in its capacity as trustee under the Trust Certificates.

“Taxes” shall mean any and all income, stamp or other taxes, duties, levies, imposts, charges, fees, deductions or withholdings, now or hereafter imposed, levied, collected, withheld or assessed by or on behalf of a Relevant Jurisdiction.

“Transaction Documents” means the Indenture, the Bonds, the Bond Security Documents and the Collateral Coordination Agreement.

“Transactions” means the issuance of the Bonds and the use of proceeds thereof, as described in *“Use of Proceeds.”*

“Treasury Rate” means, as of any redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two (2) Business Days prior to the redemption date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to remaining weighted average life of outstanding debt; *provided, however*, that if the period from the redemption date to December 15, 2039 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

“Trust Certificates” means sukuk trust certificates to be issued by the Sukuk Issuer after the Issue Date, as permitted under the Indenture, constituted by the Sukuk Declaration of Trust *provided that* (i) the Issuer has received a Ratings Reaffirmation in connection with the issuance of such Trust Certificates and any related release and immediate retake of Bond Collateral (a **“Sukuk Issuance Ratings Reaffirmation”**) and (ii) immediately after any such issuance of Trust Certificates (A) the aggregate principal amount of Bonds (including any Additional Bonds) and Trust Certificates does not exceed \$1,000 million and (B) the Collateral secures the Bonds (including any Additional Bonds) and Trust Certificates on a *pro rata* basis.

“U.S. Dollars” or **“USD”** means the lawful currency of the United States of America.

“U.S. Government Obligations” means securities that are direct obligations of, or obligations guaranteed by, the United States of America for the timely payment of which its full faith and credit is pledged.

“Voting Stock” means any class or classes of Capital Stock pursuant to which the holders thereof have the general voting power under ordinary circumstances to elect at least a majority of the board of directors, managers or trustees (or Persons performing similar functions) of any Person (irrespective of whether or not, at the time, stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency).

“Weighted Average Life to Maturity” means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

- (i) the then outstanding aggregate principal amount or liquidation preference, as the case may be, of such Indebtedness into
- (ii) the sum of the products obtained by multiplying:
 - (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payment of principal or liquidation preference, as the case may be, including payment at final maturity, in respect thereof, by
 - (b) the number of years (calculated to the nearest one-twelfth) which will elapse between such date and the making of such payment.

BOOK ENTRY, DELIVERY AND FORM

The Bonds sold outside the United States pursuant to Regulation S will initially be represented by a global bond in registered form, without interest coupons attached (the “**Regulation S Global Bond**”).

The Bonds sold within the United States to qualified institutional buyers pursuant to Rule 144A will initially be represented by a global bond in registered form, without interest coupons attached (the “**Rule 144A Global Bond**” and, together with the Regulation S Global Bond, the “**Global Bonds**”). On the closing date the Global Bonds will be deposited with a custodian for, and registered in the name of, Cede & Co. as nominee for the Depository Trust Company (“**DTC**”).

Investors who are qualified institutional buyers and who purchase Bonds in reliance on Rule 144A may hold their interests in a Rule 144A Global Bond directly through DTC if they are DTC participants, or indirectly through organizations that are DTC participants. Investors who hold beneficial interests in a Regulation S Global Bond may hold such interests directly through DTC if they are DTC participants, or indirectly through organizations that are DTC participants. DTC will hold interests in the Regulation S Global Bond on behalf of their participants through their respective depositories, which in turn will hold the interests in the Regulation S Global Bond in customers’ securities accounts in the depositories’ names on the books of DTC. Book Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book entry form by DTC and its participants. The book entry interests in the Global Bonds will be issued only in denominations of \$200,000 and integral multiples of \$1,000 in excess thereof.

The book entry interests will not be held in definitive form. Instead, DTC will credit on its book entry registration and transfer systems a participant’s account with the interest beneficially owned by such a participant. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge Book Entry Interests. In addition, while the Bonds are in global form, owners of interests in the Global Bonds will not have the Bonds registered in their names, will not receive physical delivery of the Bonds in certificated form and will not be considered the registered owners or “holder” of Bonds under the Indenture for any purpose.

So long as the Bonds are held in global form, DTC (or its nominee) will be considered the holder of Global Bonds for all purposes under the Indenture. As such, participants must rely on the procedures of DTC and indirect participants must rely on the procedures of DTC and the participants through which they own Book Entry Interests to exercise any rights of holders under the Indenture.

None of the Issuer, the Bond Trustee, the Paying Agent or the Transfer Agent under the Indenture, nor any of their respective agents will have any responsibility or be liable for any aspect of the records relating to the book entry interests.

Issuance of Definitive Registered Bonds

Under the terms of the Indenture, owners of Book Entry Interests will receive definitive Bonds in registered form (the “**Definitive Registered Bonds**”):

- if DTC notifies the Issuer that it is unwilling or unable to continue to act as depository and the Issuer does not appoint a successor depository within 120 days;
- if the Issuer, at its option but subject to DTC’s rules, notifies the Bond Trustee in writing that it elects to exchange in whole, but not in part, the Global Bond for Definitive Registered Bonds; or
- if DTC so requests following an event of default under the Indenture.

In such an event, the Issuer will issue Definitive Registered Bonds, registered in the name or names and issued in any approved denominations, requested by or on behalf of DTC or the Issuer, as applicable (in accordance with its customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book Entry Interests), and such Definitive Registered Bonds will bear the restrictive legend referred to in “*Transfer Restrictions*,” unless that legend is not required by the Indenture or applicable law.

Redemption of Global Bonds

In the event any Global Bond, or any portion thereof, is redeemed, DTC will distribute the amount received by it in respect of the Global Bond so redeemed to the holders of the book entry interests in such Global Bond from the amount received by it in respect of the redemption of such Global Bond. The redemption price payable in connection

with the redemption of such Book Entry Interests will be equal to the amount received by DTC in connection with the redemption of such Global Bond (or any portion thereof). The Issuer understands that under existing practices of DTC if fewer than all of the Bonds are to be redeemed at any time, DTC will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; provided, however, that no Book Entry Interest of less than US\$1,000 in principal amount may be redeemed in part.

Payments on Global Bonds

The Issuer will make payments of amounts owing in respect of the Global Bonds (including principal, premium, interest and additional amounts) to the Principal Paying Agent. The Principal Paying Agent will, in turn, make such payments to DTC or its nominee, which will distribute such payments to participants in accordance with their respective procedures.

Under the terms of the Indenture, the Issuer, the Bond Trustee, the Paying Agent and the Transfer Agent will treat the registered holder of the Global Bonds (i.e., the nominee for DTC) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, neither the Issuer nor the Bond Trustee or any of their respective agents has or will have any responsibility or liability for:

- any aspects of maintaining, supervising or reviewing the records of DTC or any participant or indirect participant relating to or payments made on account of a Book Entry Interest; or
- DTC or any participant or indirect participant.

Payments by participants to owners of Book Entry Interests held through participants are the responsibility of such participants, as is now the case with securities held for the accounts of subscribers registered in "street name."

To tender Book Entry Interests in the change of control offer, the holder of the applicable Global Bond must, within the period specified in such offer, give notice of such tender to the Paying Agent and specify the principal amount of Book Entry Interests to be tendered.

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Bonds will be paid to holders of interests in such Bonds through DTC in U.S. dollars.

Action by Owners of Book Entry Interests

DTC has advised the Issuer that it will take any action permitted to be taken by a Bondholder (including the presentation of Bonds for exchange as described above) only at the direction of one or more participants to whose account the book entry interests in the Global Bonds are credited and only in respect of such portion of the aggregate principal amount of Bonds as to which such participant or participants has or have given such direction. DTC will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Bonds. However, if there is an event of default under the Bonds, DTC reserves the right to exchange the Global Bonds for Definitive Registered Bonds in certificated form, and to distribute such Definitive Registered Bonds to their respective participants.

Transfers

The Global Bonds will bear a legend to the effect set forth in "*Transfer Restrictions*." Book Entry Interests in the Global Bonds will be subject to the restrictions on transfer discussed in "*Transfer Restrictions*." Except as set forth below, the Global Bonds may be transferred, in whole and not in part, only to another nominee of DTC or to a successor of DTC or its nominee in accordance with the applicable procedures of DTC, Euroclear and Clearstream, Luxembourg, in each case to the extent applicable.

Transfers between participants in DTC will be done in accordance with DTC rules and will be settled in immediately available funds. If a Bondholder requires physical delivery of Definitive Registered Bonds for any reason, including to sell the Bonds to persons in jurisdictions which require physical delivery of such securities or to pledge such securities, such holder must transfer its interest in the Global Bonds in accordance with the normal procedures of DTC and in accordance with the provisions of the Indenture.

Investors may also hold such interests directly through Euroclear or Clearstream, Luxembourg if they are Participants in those systems, or indirectly through organizations other than Euroclear and Clearstream, Luxembourg that are participants in those systems. Euroclear and Clearstream, Luxembourg will hold interests in the Regulation S Bonds on behalf of their participants through their respective depositories, which in turn will hold such interests in such

Regulation S Bonds in customers' securities accounts in the depositories' names on the books of DTC. Investors may hold their interests in the Rule 144A Bond directly through DTC if they are Participants, or indirectly through organizations that are Participants.

Subject to the foregoing, and as set forth in "*Transfer Restrictions*," Book Entry Interests may be transferred and exchanged as described under "*Description of the Bonds—Replacement, Exchange and Transfers*." Any Book Entry Interest in one of the Global Bonds that is transferred to a person who takes delivery in the form of a Book Entry Interest in the other Global Bond will, upon transfer, cease to be a Book Entry Interest in the first mentioned Global Bond and become a Book Entry Interest in the other Global Bond, and accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book Entry Interests in such other Global Bond for as long as it retains such a Book Entry Interest.

Definitive Registered Bonds may be transferred and exchanged for Book Entry Interests in a Global Bond only as described under "*Description of the Bonds—Replacement, Exchange and Transfers*" and, if required, only if the transferor first delivers to the Bond Trustee a written certificate (in the form provided in the Indenture governing the Bonds to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Bonds. See "*Transfer Restrictions*."

Transfers involving an exchange of a Regulation S Book Entry Interest for 144A Book Entry Interest will be done by DTC by means of an instruction originating from the Bond Trustee through the DTC Deposit/Withdrawal at Custodian system. Accordingly, in connection with any such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the 144A Global Bond.

Information Concerning DTC

All Book Entry Interests will be subject to the operations and procedures of DTC. The Issuer provides the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. Neither the Issuer nor the Initial Purchasers nor the Bond Trustee, Paying Agent, or Transfer Agent are responsible for those operations or procedures. DTC has advised the Issuer that it is:

- a limited purpose trust company organized under the New York Banking Law;
- a "banking organization" under the New York Banking Law;
- a member of the Federal Reserve System;
- a "clearing corporation" within the meaning of the New York Uniform Commercial Code; and
- a "clearing agency" registered under Section 17A of the Exchange Act.

DTC was created to hold securities for its participants and to facilitate the clearance and settlement of transactions among its participants. It does this through electronic book-entry changes in the accounts of securities participants, eliminating the need for physical movement of securities certificates. DTC participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations such as the Initial Purchasers. Others, such as banks, brokers, dealers, trust companies and clearing corporations, that clear through or maintain a custodial relationship with a direct participant also have access to the DTC system and are known as indirect participants.

Because DTC can act only on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interest, may be limited by the lack of a definitive certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such persons may be limited. In addition, owners of beneficial interests through the DTC system will receive distributions attributable to the Rule 144A Global Bonds only through DTC participants.

The address of DTC in New York is 55 Water Street, New York, New York 10041.

Global Clearance and Settlement Procedures

The Bonds represented by the Global Bonds are expected to be admitted to listing on the Official List of the Irish Stock Exchange and to trade in DTC's Same Day Funds Settlement System, and any permitted secondary market trading activity in such Bonds will, therefore be required by DTC to be settled in immediately available funds. You should be aware that investors will only be able to make and receive deliveries, payments and other communications

involving Bonds through DTC on days when such system is open for business. Such system may not be open for business on days when banks, brokers and other institutions are open for business in the United States.

Subject to compliance with the transfer restrictions applicable to the Bonds described under “*Transfer Restrictions*,” cross-market transfers between persons holding directly or indirectly through DTC on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear participants, on the other, will be effected in DTC in accordance with the DTC rules on behalf of the relevant European international clearing system by their respective depository; however, such cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in such system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to its U.S. depository to take action to effect final settlement on its behalf by delivering interests in the Bonds to or receiving interests in the Bonds from DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Clearstream, Luxembourg participants and Euroclear participants may not deliver instructions directly to DTC.

Because of time-zone differences, credits of interests in the Bonds received in Clearstream, Luxembourg or Euroclear as a result of a transaction with a depository participant will be made during subsequent securities settlement processing and will be credited the business day following DTC settlement date. Such credits or any transactions involving interests in such Bonds settled during such processing will be reported to the relevant Euroclear or Clearstream, Luxembourg participants on such business day. Cash received in Clearstream, Luxembourg or Euroclear as a result of sales of interests in the Bonds by or through a Clearstream, Luxembourg participant or a Euroclear Participant to a depository participant will be received with value on DTC settlement date but will be available in the relevant Clearstream, Luxembourg or Euroclear cash account only as of the business day following settlement in DTC.

Although DTC, Clearstream, Luxembourg and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of the Bonds among participants of DTC, Clearstream, Luxembourg and Euroclear, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

Initial Settlement

Initial settlement for the Bonds will be made in U.S. dollars. Book Entry Interests owned through DTC accounts will follow the settlement procedures applicable to conventional bonds in registered form. Book Entry Interests will be credited to the securities custody accounts of DTC participants on the business day following the settlement date against payment for value on the settlement date.

Secondary Market Trading

The book entry interests will trade through participants of DTC and will settle in same day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book Entry Interests where both the purchaser’s and the seller’s accounts are located to ensure that settlement can be made on the desired value date.

CERTAIN DIFC, SAUDI ARABIAN AND U.S. TAX CONSIDERATIONS

DIFC Taxation

Pursuant to Article 14 of Law No. (9) of 2004 with respect to the DIFC, entities licensed, registered or otherwise authorized to carry on financial services in the DIFC and their employees will be subject to a zero rate of tax for a period of 50 years from September 13, 2004. This zero rate of tax applies to income, corporation and capital gains tax. In addition, this zero rate of tax will also extend to repatriation of capital and to transfers of assets or profits or salaries to any party outside the DIFC. Article 14 of the DIFC law also provides that it is possible to renew the 50-year period to a similar period upon issuance of a resolution by the Ruler of the Emirate of Dubai. As a result, no payments by us under the Bonds are subject to any DIFC tax, whether by withholding or otherwise.

Kingdom of Saudi Arabia Taxation / Zakat

Bondholders Who Are Gulf Cooperation Council (“GCC”) Persons Resident in the Kingdom of Saudi Arabia

Bondholders who are GCC persons resident in the Kingdom of Saudi Arabia (except for (i) a citizen of a GCC country other than the Kingdom of Saudi Arabia with a permanent establishment (“PE”) in the Kingdom of Saudi Arabia; and (ii) a legal entity established under the laws of a GCC country other than the Kingdom of Saudi Arabia, with a PE in Saudi Arabia) are not subject to Saudi Arabian income tax, nor withholding with respect to any payment in the nature of interest or gain realized with respect to the Bonds. However, such Bondholders will be subject to zakat once they file their zakat return with the General Authority of Zakat and Tax (“GAZT”). Otherwise, potentially, they may be subject to withholding tax until they establish that they are residents for Saudi tax purposes.

Generally, the taxability of a GCC citizen with a PE and a GCC legal entity with a PE in the Kingdom of Saudi Arabia (i.e., the persons described in items (i) and (ii) in the preceding paragraph) can be described as follows:

A PE of a GCC citizen and a PE of a GCC legal entity in the Kingdom of Saudi Arabia (i.e., a branch of a GCC legal entity) will be subject to Saudi Arabian income tax on the income attributable to the PE, including income (interest, gains realized, etc.) from the Bonds that is attributable to the PE. All income in the nature of interest, gains, etc. with respect to the Bonds to the above Bondholder will be part of the Bondholder’s gross income, if such payment is attributable to the PE. The gross income less deduction of allowable costs as per Saudi tax law will be subject to income tax at the current rate of 20%. Furthermore, the transfer of profit to the head office is considered a distribution of profit and will be subject to a 5% withholding tax.

“GCC person” as used above means (i) a citizen of any of the member countries of the Cooperation Council of the Arab States of the Gulf (namely, the Kingdom of Saudi Arabia, the United Arab Emirates, the Kingdom of Bahrain, the Sultanate of Oman, the State of Qatar and the State of Kuwait) and (ii) any legal entity owned by GCC citizens and established under the laws of a GCC country.

Subject to the exceptions stipulated in the Kingdom of Saudi Arabia’s income tax law, a PE includes a permanent enterprise of a non-resident in the Kingdom of Saudi Arabia that represents a permanent place for the non-resident’s activity where it conducts the activity either fully or partly. Article 4 of the Kingdom of Saudi Arabia’s income tax law issued under Royal Decree No. M/1 dated 15.1.1425H corresponding to March 7, 2004 (the “Income Tax Law”) describes a PE as being a permanent establishment of a person non-resident in the Kingdom of Saudi Arabia (unless otherwise provided in Article 4 of the Income Tax Law) that consists of the permanent place of activity of the non-resident, through which it carries out business, in full or in part, including business carried out by the non-resident through its agent.

Bondholders who are Non-GCC Persons but Treated as Resident in the Kingdom of Saudi Arabia for Tax Purposes

Bondholders who are non-GCC persons resident in the Kingdom of Saudi Arabia will be subject to income tax, but not zakat.

All income in the nature of interest, gains, etc. with respect to the Bonds to the above Bondholder will be part of the Bondholder’s gross income. The gross income less deduction of allowable costs will be subject to income tax at the current rate of 20%, unless there is a specific exemption available.

Article 3 of the Income Tax Law defines “Residency” as follows:

“(a) A natural person is considered resident in Saudi Arabia for a taxable year if he meets either of the two following conditions:

- (i) he has a permanent place of residence in Saudi Arabia and resides in Saudi Arabia for a total of not less than thirty (30) days in the taxable year; or
- (ii) he resides in Saudi Arabia for a period of not less than one hundred eighty three (183) days in the taxable year.

For the purposes of this paragraph, residence in Saudi Arabia for part of a day is considered residence for the whole day, except in the case of a person in transit between two points outside Saudi Arabia.

- (b) A company is considered resident in Saudi Arabia during the taxable year if it meets either of the following conditions:
- (i) it is formed in accordance with the regulations for companies issued by the Ministry of Commerce and Investment; or
 - (ii) it is headquartered in Saudi Arabia.”

The term “headquartered” has been clarified by the GAZT. It predefines the conditions which make a corporation resident by virtue of it being headquartered in Saudi Arabia. It stipulates that at least two of the following conditions should be met:

- a) The usual board of directors meetings, which are held regularly and result in key policies and decisions related to the company’s management and conducting its business, are held in Saudi Arabia.
- b) Top executive decisions related to managing the company’s operations, such as the CEO and its representatives’ decisions are made in Saudi Arabia.
- c) Most of the company’s business which generates major revenue is conducted in Saudi Arabia.

Besides, the corporation is required to comply with all local laws and regulations that apply to resident corporations.

In addition, subsequent distributions of profits by a resident company to its non-resident shareholders is generally subject to a 5% withholding tax. The non-resident shareholder may be eligible for a refund of this withholding tax in some cases when there is a tax agreement between the Kingdom of Saudi Arabia and the country of residence of the non-resident shareholder that provides relief for such withholding tax.

A non-GCC person means a citizen or a legal entity other than a GCC person referred to in “—*Bondholders Who are Gulf Cooperation Council (“GCC”) Persons Resident in the Kingdom of Saudi Arabia*” above.

Bondholders who are Non-Resident in the Kingdom of Saudi Arabia

Payments by us with respect to the Bonds to Bondholders who are resident outside the Kingdom of Saudi Arabia (without a PE in Saudi Arabia) should not be subject to Saudi Arabian income tax.

In addition, we believe that interest payments on the Bonds should not be subject to Saudi Arabian withholding tax (which is currently imposed at a rate of 5%) since the interest should not be viewed as derived from activity carried out in the Kingdom of Saudi Arabia because (i) we are incorporated under the laws of DIFC, (ii) we are not managed and do not have operations or holdings in the Kingdom of Saudi Arabia, and (iii) the Bonds are not secured by immovable property located in the Kingdom of Saudi Arabia.

In the unlikely event that GAZT would challenge our position and that a court of competent jurisdiction in the Kingdom of Saudi Arabia would issue a final determination contrary to our position, then we will, save in certain limited circumstances set forth in “*Description of the Bonds—Additional Amounts*,” be required to indemnify the Bondholders against any such withholding tax on interest payments.

In addition, for the same reasons, we believe that a gain (i.e., the proceeds, if any, in excess of a Bondholder’s cost basis in a Bond) realized by such holder in a disposal of Bonds should not be subject to Saudi Arabian capital gains tax (which is currently imposed at a rate of 20%). In the event that GAZT successfully challenges our position, under the current Saudi Arabian tax law, GAZT has no authority to file a lawsuit in the competent courts of any foreign jurisdiction to collect such tax from a non-resident Bondholder, therefore there is practical difficulty in how GAZT would enforce their decision to collect taxes, if any, from non-resident Bondholders.

Bondholders who are non-residents with a PE in the Kingdom of Saudi Arabia (as defined in Article 4 of the Income Tax Law) will be subject to Saudi Arabian income tax on the PE’s income, including income from the Bonds that is attributable to a PE as mentioned in “—*Bondholders Who are Gulf Cooperation Council (“GCC”) Persons Resident in the Kingdom of Saudi Arabia*” above.

General

Bondholders who are natural persons at the time of their death will not be subject to inheritance or other taxes of a similar nature in the Kingdom of Saudi Arabia. Bondholders will not be deemed to be resident, domiciled or carrying on business in the Kingdom of Saudi Arabia solely by reason of holding any Bonds. Mere holding of the Bonds in Saudi Arabia by GCC nationals or non-GCC residents will not create a PE in Saudi Arabia. Under the zakat regulations, which are in effect as of the date of this Offering Memorandum, long-term investments in the Bonds are not deductible from the zakat base of the investor.

The above is a general summary only in relation to limited aspect of the Saudi tax law and does not cover all aspects of the Saudi tax law.

U.S. Federal Income Taxation

The discussion in this Offering Memorandum is not intended or written to be used, and cannot be used by any person, for the purpose of avoiding U.S. federal, state or local tax penalties, and was written to support the promotion or marketing of the Offering Memorandum. Each investor should seek advice based on their particular circumstances from an independent tax adviser.

The following summary describes the principal U.S. federal income tax consequences of the acquisition, ownership and disposition of the Bonds. Except as otherwise noted below, this discussion applies only to U.S. Holders (as defined below) who purchase Bonds on original issuance at their issue price and hold the Bonds as capital assets within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the “Code”) (generally, for investment). Except as otherwise noted, this summary assumes that the original issue price of the Bonds will be par. In addition, this discussion does not describe all of the U.S. federal income taxes or all tax considerations that may be relevant to prospective purchasers in light of a their particular circumstances or to persons subject to special rules or treatment under the U.S. federal income tax laws. For example, this summary does not address:

- tax consequences to holders who may be subject to special tax treatment, such as dealers in securities or currencies, traders in securities that elect to use the mark-to-market method of accounting for their securities, financial institutions, regulated investment companies, real estate investment trusts, partnerships or other pass-through entities or arrangements for U.S. federal income tax purposes or investors therein, tax-exempt entities or insurance companies;
- tax consequences to U.S. Holders (as defined below) that hold the Bonds through non-U.S. brokers or non-U.S. intermediaries and persons holding the Bonds as part of a hedging, integrated, constructive sale or conversion transaction or a straddle;
- tax consequences to holders of the Bonds whose “functional currency” is not the U.S. dollar;
- the Medicare tax on net investment income;
- U.S. expatriates or persons holding the Bonds in connection with a permanent establishment outside of the United States;
- U.S. federal estate or gift taxes;
- alternative minimum tax consequences, if any; or
- any state, local or non-U.S. tax consequences.

This summary is based on the provisions of the Code, administrative pronouncements, judicial decisions and final, temporary and proposed Treasury Regulations as of the date hereof. Those authorities may be changed, perhaps retroactively, so as to result in U.S. federal income tax consequences different from those summarized below. Persons considering the purchase of a Bond should consult their own tax advisers with regard to the application of the U.S. federal income tax laws to their particular situations as well as any tax consequences arising under the laws of any state, local or non-U.S. tax jurisdiction.

U.S. persons should consult their own tax advisers concerning the particular U.S. federal income tax consequences of the ownership of the Bonds, as well as the consequences arising under the laws of any other taxing jurisdiction.

For purposes of the following discussion, a “**U.S. Holder**” means a beneficial owner of a Bond that is, for U.S. federal income tax purposes, any of the following:

- an individual citizen or resident of the U.S.;
- a corporation (or any other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the U.S., any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if either (a) a U.S. court is able to exercise primary jurisdiction over the administration of the trust and one or more U.S. Persons have the authority to control all substantial decisions of the trust, or (b) the trust has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. Person.

If an entity or arrangement that is classified as a partnership for U.S. federal income tax purposes holds Bonds, the U.S. federal income tax treatment of a partner generally will depend on the status of the partner and upon the activities of the partnership. Partners of partnerships holding Bonds should consult with their tax advisers.

Payments of Interest

Stated interest paid on a Bond, including any tax withheld and the payment of any Additional Amounts, generally will be taxable to the U.S. Holder as ordinary interest income at the time it accrues or is received in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes.

Non-U.S. Source Income

The income earned by a U.S. Holder with respect to a Bond, including the payment of any Additional Amounts, will constitute non-U.S. source income and a U.S. foreign tax credit may be available for certain non-U.S. taxes imposed on such income. Interest paid on the Bonds will, depending on the U.S. Holder's circumstances, be either "passive" or "general" income for purposes of computing the foreign tax credit. The U.S. foreign tax credit rules are very complex; U.S. Holders should consult their own advisers with respect to the application of these rules to their particular circumstances.

Sale, Exchange or Retirement of the Bonds

Upon the sale, exchange or retirement of a Bond, a U.S. Holder will recognize taxable gain or loss equal to the difference between the amount realized on the sale, exchange or retirement, other than accrued but unpaid interest which will be taxable as ordinary income to the extent not previously included in income and the U.S. Holder's adjusted tax basis in the Bond. Tax basis in a Bond generally will be the U.S. Holder's cost for that Bond, decreased by any principal payments on the Bond.

Gain or loss realized on the sale, exchange or retirement of a Bond generally will be capital gain or loss and will be long-term capital gain or loss if at the time of sale, exchange or retirement, the Bond has been held for more than one year. Capital gains of individuals derived in respect of capital assets held for more than one year are eligible for reduced rates of taxation. Prospective investors should consult their tax advisers regarding the treatment of capital losses (the deductibility of which is subject to limitations) and their ability to make use of U.S. foreign tax credits.

If non-U.S. tax is withheld on the sale, exchange or retirement of a Bond, the amount realized by a U.S. Holder will include the gross amount of the proceeds of that sale, exchange or retirement before deduction of the non-U.S. tax. Capital gain or loss, if any, realized by a U.S. Holder on the sale or other taxable disposition of a Bond generally should be treated as U.S. source gain or loss for U.S. foreign tax credit purposes. Consequently, if any non-U.S. tax is imposed on such amounts, the U.S. Holder may be subject to limitations on the use of a U.S. foreign tax credit to offset such tax. The U.S. foreign tax credit rules are very complex. U.S. Holders should consult their own advisers with respect to the application of these rules to their particular circumstances.

Backup Withholding and Information Reporting

Information returns may be filed with the IRS in connection with payments of principal and interest and the proceeds from a sale or other disposition of a Bond. Generally, information reporting requirements will apply to all payments to a U.S. Holder of principal and interest on a Bond within the U.S. and the proceeds from the sale of a Bond effected at a U.S. office of a broker, unless the U.S. Holder is an exempt recipient such as a corporation.

A U.S. Holder may be subject to U.S. backup withholding on these payments if it fails to provide its tax identification number to the paying agent and comply with certain certification procedures or otherwise establish an exemption from backup withholding. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle them to a refund, *provided* that the required information is timely furnished to the IRS.

ERISA AND BENEFIT PLAN CONSIDERATIONS

This section summarizes certain issues that employee benefit plan investors should consider before investing in the Bonds in effect as of the date of this Offering Memorandum.

The laws governing employee benefit plans may change in the future. **In particular, it is important to note that the U.S. Department of Labor (“U.S. DOL”) issued new fiduciary rule (the “Fiduciary Rule”) that is expected to have a substantial impact upon Plans (as defined below). The Fiduciary Rule would significantly change the definition of, and requirements applicable to, fiduciaries of Benefit Plans and may impact the purchase, holding, transfer or sale of the Bonds by, to or from Plans and Plan fiduciaries in the future. Although the Fiduciary Rule was originally scheduled to take effect generally as of April 10, 2017, the U.S. DOL has proposed to delay the application of the Fiduciary Rule. As a result, it is possible that the Fiduciary Rule may be delayed, changed or repealed in the future. In light of such uncertainty regarding the potential application of the Fiduciary Rule, it is important to consult with counsel familiar with the Fiduciary Rule before investing in the Bonds.**

Fiduciary Issues

The U.S. Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”), imposes requirements on employee benefit plans that are subject to Title I of ERISA and U.S. Internal Revenue Code Section 4975 imposes certain requirements on certain additional plans and arrangements subject to Section 4975 of the Code (collectively, “**Plans**”), as well as persons who are fiduciaries of Plans. Under ERISA, any person who exercises discretionary authority or control respecting the management or disposition of the assets of a Plan is generally considered to be a fiduciary of such Plan. Investments by Plans fiduciaries are subject to ERISA’s general fiduciary requirements, including the prudence and diversification requirements and the requirement that a Plan’s investments be made in accordance with the documents governing the Plan. A Plan fiduciary considering an investment in the Bonds should consider, among other things, whether the Plan’s purchase and holding of Bonds would meet ERISA’s fiduciary standards of investment prudence and diversification, whether the investment is appropriate for the Plan, taking into account the overall investment policy of the Plan and the composition of the Plan’s investment portfolio, and that such an investment is consistent with the documents governing the Plan.

Non-U.S. plans, governmental plans (as defined in Section 3(32) of ERISA) and certain church plans (as defined in Section 3(33) of ERISA), while not subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of ERISA and Section 4975 of the Code (discussed below), may nevertheless be subject to other federal, state, local or non-U.S. laws or regulations that are substantially similar to the foregoing provisions of ERISA and the Code (“**Similar Law**”). Fiduciaries of any such plans should consult with their counsel before purchasing the Bonds to determine the need for and the availability of, any exemptive relief under any Similar Law.

Plan Assets

The rules and regulations applicable under ERISA contain certain “look through” provisions. Under these provisions if a Plan acquires an interest in an equity security of an entity, the assets of the Plan would be deemed to include not only the equity security but an undivided proportional interest in the underlying assets of the entity. An “equity interest” is defined as any interest in an entity other than an instrument which is treated as indebtedness under applicable local law and which has no substantial equity features. Although there is little statutory or regulatory guidance on this subject, and there can be no assurances in this regard, it appears that the Bonds should be treated as debt without substantial equity features for the purposes of ERISA’s plan asset regulations. If an Issuer were to be regarded as a plan asset entity, the assets and transactions of the Issuer would be attributed to the Plan investor. In this event, among other things, the fiduciary of any Plan that purchases Bonds could be viewed as having improperly delegated to the Issuer responsibility for the management of the Plan’s assets, and the transactions and holdings of the Issuer might involve violations of the prohibited transaction rules of ERISA and the Code as well as violations of other rules applicable under ERISA.

Prohibited Transactions

A party-in-interest or disqualified person who engages in a prohibited transaction involving a Plan may be subject to excise taxes and to other penalties under ERISA and the Code and the transaction may have to be rescinded. In addition, the fiduciary of the Plan that engaged in a prohibited transaction may be subject to penalties and liabilities under ERISA and the Code.

Whether or not the underlying assets of the Issuer are deemed to include “plan assets,” as discussed above, the acquisition and/or holding of the Bonds by a Plan with respect to which any of the Issuer, any Initial Purchaser, any subsequent transferee and certain other entities affiliated with this offering or any of their respective affiliates is

considered a party-in-interest or a disqualified person may constitute or result in a direct or indirect prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, unless the investment is acquired and held in accordance with an applicable prohibited transaction exemption. The fiduciary of a Plan that proposes to acquire and hold any Bonds should consider, among other things, whether such acquisition and holding may involve: (1) a direct or indirect extension of credit to a party-in-interest or to a disqualified person; (2) the sale or exchange of any property between a Plan and a party-in-interest or disqualified person; or (3) the transfer to, or use by or for the benefit of, a party-in-interest or disqualified person, of plan assets, or any other potential prohibited transaction.

In this regard, certain statutory exemptions under ERISA or the Code or administrative exemptions issued by the U.S. DOL may apply to the acquisition and holding of the Bonds. Potentially applicable exemptions include, but are not necessarily limited to, Prohibited Transaction Class Exemption (“**PTCE**”) 84-14, as amended, applicable to certain purchases by “qualified professional asset managers”; PTCE 90-1, applicable to purchases by certain insurance company pooled separate accounts; PTCE 91-38, applicable to purchases by certain bank collective investment funds; PTCE 95-60, applicable to purchases by certain insurance company general accounts; and PTCE 96-23, applicable to certain purchases by “in-house asset managers (collectively, the “**Investor Exemptions**”). In addition, additional PTCEs issued in connection with the Fiduciary Rule, including for example PTCE 2016-01, relating to best interest contracts, and PTCE 2016-02, applicable to principal transactions exemptions, may (or may not) be available in the future.

There can be no assurance that any of the Investor Exemptions described above or any other exemption will be available with respect to any particular transaction involving the Bonds. Most of these exemptions do not, however, provide relief from some or all of the self-dealing prohibitions under ERISA and the Code.

In addition, any insurance company proposing to invest assets of its general account in the Bonds should consider the extent that such investment would be subject to the requirements of ERISA in light of the U.S. Supreme Court’s decision in *John Hancock Mutual Life Insurance Co. v. Harris Trust and Savings Bank*.

Representations and Warranties

Each purchaser or Bondholder will be required to have represented, acknowledged and agreed in writing that its acquisition, holding and disposition of the Bonds or any interest therein are and will be exempt from the prohibited transaction restrictions under ERISA and the Code pursuant to one or more of the Investor Exemptions. See “—*Prohibited Transactions*” above for a description of the Investor Exemptions. Each purchaser of the Bonds through a subsequent transfer, by acquisition of the Bonds, will be deemed to have acknowledged, represented and agreed that its acquisition, holding and disposition of the Bonds or any interest therein are and will be exempt from the prohibited transaction restrictions under ERISA and the Code pursuant to one or more of the Investor Exemptions. Any purported transfer of the Bonds in violation of the requirements set forth in this paragraph will be null and void *ab initio* and the Issuer will have the right to compel any purchasers acquiring the Bonds in violation of the requirements set forth in this paragraph to sell such Bonds or to sell such Bonds on behalf of such purchaser.

Further, the Bonds (including any interests therein) may not be acquired or held by a governmental plan or a non-U.S. plan, unless such governmental plan or non-U.S. plan represents, warrants, and covenants that its purchase and holding of and disposition of the Bonds (or interest therein) and the Issuer’s holding and use of the proceeds from the issuance and sale of the Bonds will not result in a nonexempt prohibited transaction under, or a violation of Similar Law.

PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in the purchase agreement dated the date of this Offering Memorandum, we have agreed to sell to the Initial Purchasers, and, subject to certain conditions contained therein, the Initial Purchasers have, severally and not jointly, agreed to purchase the principal amount of the Bonds. The initial purchasers are: Jefferies International Limited, China Construction Bank Corporation, Singapore Branch, Citigroup Global Markets Limited, Mizuho International plc, NCB Capital Company, Standard Chartered Bank, MUFG Securities EMEA plc and SMBC Nikko Capital Markets Limited. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Initial Purchasers or any affiliate of the Initial Purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Initial Purchaser or its affiliate on behalf of the Issuer in such jurisdiction.

The purchase agreement provides that the obligations of the Initial Purchasers to purchase the Bonds are subject to, among other conditions, the delivery of certain legal opinions by their counsel. The Initial Purchasers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part without notice.

The purchase agreement provides that we, APP and ACWA Power will indemnify and hold harmless the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, and will contribute to payments that the Initial Purchasers may be required to make in respect thereof. We have agreed, subject to certain limited exceptions, that during the period from the date hereof through and including the date that is 90 days after the date the Bonds are issued, to not, and to cause our subsidiaries to not, without having received the prior written consent provided for in the purchase agreement, offer, sell, contract to sell or otherwise dispose of any securities that are substantially similar to the Bonds.

Persons who purchase Bonds from the Initial Purchasers may be required to pay stamp duty, taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the Offering Price.

The Initial Purchasers that are not registered with the Securities and Exchange Commission as U.S. registered broker-dealers will effect offers and sales of the Bonds (i) solely outside of the United States, or (ii) within the United States, to the extent permitted by Rule 15a-6 under the Exchange Act, through their U.S.-registered broker-dealers and as permitted by the Financial Industry Regulatory Authority regulations.

We expect that delivery of the Bonds will be made against payment on the Bonds on or about the date specified on the cover page of this Offering Memorandum, which will be eight business days (as such term is used for purposes of Rule 15c6-1 under the Exchange Act) following the date of pricing of the Bonds (this settlement cycle is being referred to as "T + 8"). Under Rule 15c6-1 under the Exchange Act, trades in the secondary market generally are required to settle in three business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Bonds on the date of this Offering Memorandum or the next succeeding business days will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Bonds who wish to make such trades should consult their own advisers.

The Bonds are a new issue of securities for which there currently is no market. Although application has been made through our listing agent for the Bonds to be admitted to the Official List of the Irish Stock Exchange and trading on the Global Exchange Market thereof, we cannot assure you that the Bonds will be approved for listing or that such listing will be maintained.

The Initial Purchasers have advised us that they intend to make a market in the Bonds as permitted by applicable law. The Initial Purchasers are not obligated, however, to make a market in the Bonds, and any market-making activity may be discontinued at any time at the sole discretion of the Initial Purchasers without notice. In addition, any such market-making activity will be subject to the limits imposed by applicable law. Accordingly, we cannot assure you that any market for the Bonds will develop, that it will be liquid if it does develop, or that you will be able to sell any Bonds at a particular time or at a price which will be favorable to you. See "*Risk Factors—Risks Related to the Bonds and the Bond Collateral—Risks Related to the Bonds—There is no active trading market for the Bonds.*"

In connection with the Offering, Stabilizing Manager may over-allot the Bonds or effect transactions with a view to supporting the market price of the Bonds at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilizing Manager will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the Offering is made and, if begun, may be ended at any time, but it must end no later than 30 days after the date on which the Issuer received the proceeds of the issue, or no later than 60 days after the date of the allotment of the Bonds, whichever is earlier. Any stabilization

action over-allotment will be conducted by the Stabilizing Manager in accordance with all applicable laws, regulations and rules. Accordingly, no assurances can be given as to the liquidity of, or trading markets for, the Bonds. See “*Risk Factors—Risks Related to the Bonds and the Bond Collateral—Risks Related to the Bonds—There is no active trading market for the Bonds.*”

The Initial Purchasers and/or their affiliates and parent companies are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Initial Purchasers and/or their respective affiliates and parent companies have in the past, and may in the future, perform commercial banking, investment banking and advisory services for us from time to time for which they have received customary fees and reimbursement of expenses and may, from time to time, engage in transactions with and perform services for us in the ordinary course of their business for which they may receive customary fees and reimbursement of expenses. In the ordinary course of their various business activities, the Initial Purchasers and/or their respective affiliates and parent companies may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve our securities and instruments. In the ordinary course of their various business activities, the Initial Purchasers and/or their respective affiliates and parent companies may prepare and distribute independent research reports, including market reports, relating to the Issuer and/or its affiliates. Mizuho Bank, Ltd., an affiliate of Mizuho International plc, acting as a lender under the loan agreement dated February 26, 2015 among Mizuho Bank, Ltd. (as lender), Mizuho Bank, Ltd. (as facility agent) and NOVA SGA Marafiq Holdings Limited (as borrower) (the “**Mizuho Loan Agreement**”) will be prepaid APP’s portion of the facilities under the Mizuho Loan Agreement from the proceeds of the Offering. See “*Use of Proceeds.*” Mizuho Bank, Ltd. is also a party to a common terms agreement dated February 16, 2017 with RAWEC with respect to an equity bridge loan facility with a tenor of one year. See “*Summary—Recent Developments.*”

Selling Restrictions

United States

The Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. Accordingly, the Bonds are being offered and sold and issued (i) in the United States, to “qualified institutional buyers” as defined in Rule 144A under the Securities Act, and (ii) outside the United States in compliance with Regulation S under the Securities Act.

European Economic Area

In relation to each member state of the EEA which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), the Initial Purchasers have represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”), it has not made and will not make an offer of the Bonds which are the subject of the offering contemplated by this Offering Memorandum to the public in that Relevant Member State other than:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant Initial Purchaser or Initial Purchasers nominated by the Issuer for any such offer; or
- (c) any other entity in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of the Bonds shall require the Issuer or the Initial Purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospective Directive.

For the purposes of this provision, the expression an “offer of the Bonds to the public” in relation to the Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, the expression “Prospectus Directive” means Directive 2003/71/EC as amended, including by Directive 2010/73/EU and includes any relevant implementing measure in the Relevant Member State.

United Kingdom

This Offering Memorandum is directed solely at persons who (i) are outside the United Kingdom or (ii) have professional experience in matters relating to investments or (iii) are persons falling within Article 49(2)(a) to (d) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (all such persons together being referred to as “**relevant persons**”). This Offering Memorandum must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Offering Memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

Each Initial Purchaser has represented and warranted that: (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) received by it in connection with the issue or sale of any Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

Canada

The Bonds may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Bonds must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Memorandum (including any amendment hereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for particulars of these rights or consult with a legal adviser.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (“**NI 33-105**”), the Initial Purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this Offering.

Kingdom of Saudi Arabia

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

By accepting this Offering Memorandum and other information relating to the Offering of the Bonds in the Kingdom of Saudi Arabia, each recipient represents that he or she is a “sophisticated investor” as defined in the Saudi Offers of Securities Regulations.

United Arab Emirates

The Offering of the Bonds has not been approved or licensed by the UAE Central Bank, the UAE Securities and Commodities Authority (“**SCA**”), the Dubai Financial Services Authority (“**DFSA**”) or any other relevant licensing authorities in the UAE, and the Bonds may not be offered to the public in the UAE (including the DIFC).

This Offering Memorandum is being issued to a limited number of institutional and individual investors:

- (a) who meet the criteria of a “Qualified Investor” as defined in the SCA Board of Directors Decision No. 3 R.M. of 2017 (but excluding subparagraph 1(d) in the “Qualified Investor” definition relating to natural persons);
- (b) upon their request and confirmation that they understand that the Bonds have not been approved or licensed by or registered with the UAE Central Bank, the SCA, DFSA or any other relevant licensing authorities or governmental agencies in the UAE; and

- (c) upon their confirmation that they understand that the Offering Memorandum must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose.

Kuwait

This Offering Memorandum is not for general circulation to the public in the State of Kuwait. The Bonds have not been licensed for offering, promotion, marketing, advertisement or sale in the State of Kuwait by the Capital Markets Authority, the Kuwait Central Bank or any other relevant Kuwaiti governmental agency. The offering, promotion, marketing, advertisement or sale of the Bonds in the State of Kuwait on the basis of a private placement or public offering is, therefore, restricted in accordance with Law No. 7 of 2010 and the bylaws thereto (as amended), which govern the issue, offer, marketing and sale of securities in the State of Kuwait (“**Kuwait Securities Laws**”). Hence, in accordance with the Kuwait Securities Laws, no private or public offering of the Bonds is being made in the State of Kuwait, and no agreement relating to the sale of the Bonds will be concluded in the State of Kuwait and no marketing or solicitation or inducement activities are being used to offer or market interests in the Bonds in the State of Kuwait.

Qatar

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

Bahrain

This Offering Memorandum is not for general circulation to the public in the Kingdom of Bahrain. The Bonds have not been licensed for offering, promotion, marketing, advertisement or sale in the Kingdom of Bahrain by the Central Bank of Bahrain and the Central Bank of Bahrain assumes no responsibility for the accuracy and completeness of the statements and information contained in this Offering Memorandum and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the contents of this Offering Memorandum.

No private or public offering of the Bonds is being made in the Kingdom of Bahrain and no agreement relating to the sale of the Bonds will be concluded in the Kingdom of Bahrain and no marketing or solicitation or inducement activities are being used to offer or market interests in the Kingdom of Bahrain.

Japan

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act and are subject to the Special Taxation Measures Act. The Bonds may not be offered or sold in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and any other applicable laws, regulations and governmental guidelines of Japan. In addition, the Bonds are not, as part of the initial distribution by the Initial Purchasers, to be directly or indirectly offered or sold in Japan or to, or for the benefit of, (i) any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan but excluding certain financial institutions defined in Article 6, paragraph 9 of the Special Taxation Measures Act and any other excluded category of persons, corporations or other entities under the Special Taxation Measures Act), or (ii) any individual non-resident of Japan or non-Japanese corporation that in either case is a specially-related person of the Issuer, or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan or specially-related person of the Issuer.

Malaysia

No approval from the Securities Commission of Malaysia has been applied for or will be obtained for the offer or invitation in respect of the Offering under the Capital Markets and Services Act 2007. This Offering Memorandum has not been, nor will be, registered with the Securities Commission of Malaysia in connection with the Offering in Malaysia. Accordingly, this Offering Memorandum or any amendment or supplement hereto or any other offering document in relation to the Bonds may not be distributed in Malaysia directly or indirectly for the purpose of any offer of the Bonds and no person may offer for subscription or purchase any of the Bonds directly or indirectly to anyone in Malaysia.

Hong Kong

The Bonds may not be offered or sold in Hong Kong by means of any document other than to (1) professional investors within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”) and any rules made thereunder, or (2) in circumstances that do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) of the laws of Hong Kong or that do not constitute an offer to the public within the meaning of that Ordinance. No invitation, advertisement or document relating to the Bonds may be issued, whether in Hong Kong or elsewhere, that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Bonds that are intended to be disposed of only to persons outside Hong Kong or only to professional investors, as defined under the SFO and any rule made thereunder.

Singapore

Each of the Initial Purchasers has acknowledged that this Offering Memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act (Chapter 289 of Singapore) (the “SFA”). Accordingly, each of the Initial Purchasers has represented and agreed that it has not offered or sold any Bonds or caused such Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell such Bonds or cause such Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute this Offering Memorandum, or any other document or material in connection with the offer or sale or invitation for subscription or purchase of such Bonds, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is: (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor; in each case, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

- (a) to an institutional investor under Section 274 of the SFA or to a relevant person (as defined in Section 275(2) of the SFA); or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (b) where no consideration is or will be given for the transfer;
- (c) where the transfer is by operation of law;
- (d) as specified in Section 276(7) of the SFA; or
- (e) as specified in Regulation 32 of the Securities and Futures (Offers and Investments) (Shares and Debentures) Regulations 2005 of Singapore.

South Korea

Each of the Initial Purchasers has represented and agreed that the Bonds have not been and will not be offered, delivered or sold directly or indirectly in the Republic of Korea or to any resident of Korea except as otherwise permitted under applicable South Korean laws and regulations. Each of the Initial Purchasers has undertaken to ensure that any securities dealer to which it sells the Bonds confirms that it is purchasing such Bonds as principal and agrees with such Initial Purchasers that it will comply with the restrictions described above.

Taiwan

The offering of the Bonds has not been and will not be registered with the Financial Supervisory Commission of Taiwan, the Republic of China pursuant to relevant securities laws and regulations and may not be offered or sold in Taiwan, the Republic of China through a public offering or in circumstance which constitutes an offer within the meaning of the Securities and Exchange Act of Taiwan, the Republic of China that requires a registration or approval of the Financial Supervisory Commission of Taiwan, the Republic of China. No person or entity in Taiwan, the Republic of China has been authorized to offer or sell the securities in Taiwan, the Republic of China.

TRANSFER RESTRICTIONS

Representations and Warranties

You are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any of the Bonds offered hereby.

General

The Bonds have not been and will not be registered under the Securities Act, or any state securities laws, and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Bonds offered hereby are being offered and sold only to qualified institutional buyers (as defined in Rule 144A under the Securities Act) in reliance on Rule 144A under the Securities Act and in offshore transactions in reliance on Regulation S under the Securities Act.

We have not registered and will not register the Bonds under the Securities Act and, therefore, the Bonds may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, we are offering and selling the Bonds to the Initial Purchasers for re-offer and resale only:

- in the United States to “qualified institutional buyers,” commonly referred to as “QIBs,” as defined in Rule 144A in compliance with Rule 144A; and
- outside the United States in an offshore transaction in accordance with Regulation S.

We use the terms “offshore transaction” and “United States” with the meanings given to them in Regulation S.

Important Information about the Offering

Each purchaser of Bonds, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with us and the Initial Purchasers as follows:

- (1) You understand and acknowledge that the Bonds have not been registered under the Securities Act or any other applicable securities laws, are “restricted securities” within the meaning of Rule 144 under the Securities Act and that the Bonds are being offered for resale in transactions not requiring registration under the Securities Act or any other securities laws, including sales pursuant to Rule 144A under the Securities Act, and, unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act or any other applicable securities laws, pursuant to an exemption therefrom or in any transaction not subject thereto and in each case in compliance with the conditions for transfer set forth in paragraphs (4) and (5) below.
- (2) You are either:
 - (a) a QIB, within the meaning of Rule 144A under the Securities Act and are aware that any sale of these Bonds to you will be made in reliance on Rule 144A under the Securities Act, and such acquisition will be for your own account or for the account of another QIB; or
 - (b) purchasing the Bonds in an offshore transaction in accordance with Regulation S under the Securities Act.
- (3) You acknowledge that neither the Issuer nor the Initial Purchasers, nor any person representing any of them, has made any representation to you with respect to us or the offer or sale of any of the Bonds, other than the information contained in this Offering Memorandum, which Offering Memorandum has been delivered to you and upon which you are relying in making your investment decision with respect to the Bonds. You acknowledge that neither the Initial Purchasers nor any person representing the Initial Purchasers make any representation or warranty as to the accuracy or completeness of this Offering Memorandum. You have had access to such financial and other information concerning us, APP, NOMAC and the Project Companies and the Bonds as you have deemed necessary in connection with your decision to purchase any of the Bonds, including an opportunity to ask questions of, and request information from, us and the Initial Purchasers.
- (4) You are purchasing the Bonds for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act or any state securities laws, subject to any requirement of law that the disposition of your property or the property of such investor account or accounts be at all times within your or their control and subject to your or their ability to resell such Bonds pursuant to Rule 144A, Regulation S or any other exemption from registration available under the Securities Act.

- (5) in the case of any Rule 144A Bonds, you agree on your own behalf and on behalf of any investor account or accounts for which you are purchasing the Rule 144A Bonds, and each subsequent holder of the Rule 144A Bonds by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such Rule 144A Bonds prior to the date (the “**Resale Restriction Termination Date**”) that is one year after the later of the date of the original issue and the last date on which we or any of our affiliates were the owner of such Rule 144A Bonds (or any predecessor thereto) only
- (i) to us,
 - (ii) pursuant to a registration statement that has been declared effective under the Securities Act,
 - (iii) for so long as the Rule 144A Bonds are eligible pursuant to Rule 144A under the Securities Act, to a person you reasonably believe is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A under the Securities Act,
 - (iv) pursuant to offers and sales that occur outside the United States in compliance with Regulation S under the Securities Act or
 - (v) pursuant to any other available exemption from the registration requirements of the Securities Act,
- subject in each of the foregoing cases to any requirement of law that the disposition of your property or the property of such investor account or accounts be at all times within your or their control and to compliance with any applicable state securities laws, and any applicable local laws and regulations, and further subject to our and the trustee’s rights prior to any such offer, sale or transfer (I) pursuant to clause (v) to require the delivery of an opinion of counsel, certification and/or other information satisfactory to each of them and (II) in each of the foregoing cases, to require that a certificate of transfer in the form appearing in the Indenture is completed and delivered by the transferor to the Bond Trustee. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date.

Each purchaser acknowledges that each Bond will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**U.S. SECURITIES ACT**”), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT.

THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT (A) IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT) OR (B) IT IS ACQUIRING THIS SECURITY IN AN “OFFSHORE TRANSACTION” PURSUANT TO RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR FOR WHICH IT HAS PURCHASED SECURITIES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE “**RESALE RESTRICTION TERMINATION DATE**”) WHICH IS IN THE CASE OF RULE 144A BONDS: ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY) ONLY (A) TO THE ISSUER, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. SECURITIES ACT (“**RULE 144A**”), TO A PERSON IT REASONABLY BELIEVES IS A “**QUALIFIED INSTITUTIONAL BUYER**” AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND TO COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER’S AND THE BOND TRUSTEE’S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AND (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING IN THE INDENTURE IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE BOND TRUSTEE AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE THE DATE THAT IS FOUR MONTHS AND A DAY AFTER THE SETTLEMENT DATE.

If you purchase Bonds, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Bonds as well as to holders of these Bonds.

- (6) You agree that you will give to each person to whom you transfer the Bonds notice of any restrictions on the transfer of such Bonds.
- (7) You acknowledge that the Registrar will not be required to accept for registration or transfer any Bonds acquired by you except upon presentation of evidence satisfactory to us and the Registrar that the restrictions set forth therein have been complied with.
- (8) You acknowledge that we, the Initial Purchasers and others will rely upon the truth and accuracy of your acknowledgements, representations, warranties and agreements and agrees that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by your purchase of the Bonds is no longer accurate, you shall promptly notify us and the Initial Purchasers. If you are acquiring any Bonds as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each such investor account and that you have full power to make the foregoing acknowledgements, representations and agreements on behalf of each such investor account.
- (9) You understand that no action has been taken in any jurisdiction (including the United States) by us or the Initial Purchasers that would result in a public offering of the Bonds or the possession, circulation or distribution of this Offering Memorandum or any other material relating to us or the Bonds in any jurisdiction where action for such purpose is required. Consequently, any transfer of the Bonds will be subject to the selling restrictions set forth under "*Plan of Distribution—Selling Restrictions.*"
- (10) You acknowledge, represent and agree that the acquisition, holding and disposition of the Bonds or any interest therein are and will be exempt from the prohibited transaction restrictions under ERISA and the Code pursuant to one or more of the Investor Exemptions.

In addition, each purchaser of Bonds who is our affiliate (as defined under Rule 405 of the Securities Act), by its acceptance thereof, will be deemed to have also acknowledged, represented to and agreed with us and the Initial Purchasers as follows:

1. You understand, agree and acknowledge that the Bonds will be held by you as an affiliate and therefore deemed 'control securities' under the relevant rules of the Securities Act.
2. You understand, agree and acknowledge that the Bonds have not been registered under the Securities Act and may not be reoffered, resold, pledged or otherwise transferred except: (a) pursuant to Rule 144 (if available) of the Securities Act; (b) in an offshore transaction complying with Regulation S under the Securities Act; (c) in a private placement to a QIB under Rule 144A or another applicable exemption, or a transaction not subject to, the registration requirements of the Securities Act (if available); (d) pursuant to an effective registration statement under the Securities Act, and that, in each case, such offer, sale, pledge or transfer must be made in accordance with any applicable securities laws of any state of the United States.
3. You understand and acknowledge that neither the Issuer nor any Initial Purchaser makes any representation as to the availability of Rule 144, Rule 144A or any other exemption under the Securities Act for the reoffer, resale, pledge or transfer of the Bonds.

LEGAL MATTERS

Certain legal matters in respect of the Bonds are being passed upon for us by Chadbourne & Parke LLP, U.S. federal, New York and DIFC counsel to the Issuer, Chadbourne & Parke (London) LLP, English counsel to the Issuer, Hatem Abbas Ghazzawi & Co., Saudi Arabian counsel to the Issuer, Harney, Westwood & Riegels, British Virgin Islands counsel to the Issuer, and Hassan Radhi & Associates working together with Baker & McKenzie LLP (Bahrain), Bahraini counsel to the Issuer. Certain legal matters with respect to the Offering of the Bonds will be passed upon for the Initial Purchasers by Shearman & Sterling (London) LLP, U.S. federal, New York and English counsel to the Initial Purchasers, Dr. Sultan Almasoud & Partners in association with Shearman & Sterling LLP, Saudi Arabian counsel to the Initial Purchasers, Al Tamimi & Company, DIFC counsel to the Initial Purchasers, and Conyers Dill & Pearman, British Virgin Islands counsel to the Initial Purchasers.

INDEPENDENT AUDITORS

The Special-Purpose Financial Statements included in this Offering Memorandum have been audited in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia by EY, independent auditors, as stated in their reports appearing herein. The current address of EY is Al Faisaliah Office Towers, PO Box 2732, King Fahad Road, Riyadh 11461, the Kingdom of Saudi Arabia.

Ernst & Young Middle East (Dubai Br.) of Level 28, Al Saqr Business Tower, Sheikh Zayed Road, Dubai, United Arab Emirates will be our statutory auditors in DIFC.

LISTING AND GENERAL INFORMATION

Listing

Application has been made to the Irish Stock Exchange PLC for the Bonds to be admitted to the Official List and to trading on the Global Exchange Market of the Irish Stock Exchange. It is expected that such admission will become effective on or about the Issue Date. However, no assurance can be given that the application will be granted by such time. We will use our commercially reasonable efforts to maintain such listing as long as the Bonds are outstanding. The estimated total expenses related to the admission to trading are expected to be US\$20,000.

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in relation to the Bonds and is not itself seeking admission of the Bonds to the Official List of the Irish Stock Exchange or to trading on the Global Exchange Market of the Irish Stock Exchange.

For so long as the Bonds are listed on the Official List of the Irish Stock Exchange, electronic or printed copies of the following documents will be made available at the registered office of the Bond Trustee and at our registered office located at Unit 811B, Level 8, Liberty House, Dubai International Financial Centre, P.O. Box 30582 Dubai, United Arab Emirates:

- our organizational documents, including our articles of incorporation;
- our most recent audited financial statements;
- the Indenture relating to the Bonds which includes the form of the Bonds;
- the Bond Security Documents; and
- any other material documents relating to the listing.

The issuance of the Bonds offered hereby was authorized by the Board of Directors on May 3, 2017.

We have not been involved in any governmental, legal or arbitration proceeding that may have, or has had during the 12 months preceding the date of this Offering Memorandum, a significant effect on our financial position or profitability nor, so far as we are aware, is any such litigation or arbitration pending or threatened.

The Bond Trustee, Paying Agent and Transfer Agent is Citibank, N.A., London Branch and its address is Citigroup Centre, 25 Canada Square, Canary Wharf, London E14 5IB, United Kingdom. The Bond Trustee will be acting in its capacity of trustee for the benefit of the Bondholders and will provide such services to the Bondholders as described in the Indenture.

Clearing Information

The Bonds sold pursuant to Regulation S have been accepted for clearance through the facilities of DTC with international securities identification number USM00020AA12 and CUSIP number M00020AA1. The Bonds sold pursuant to Rule 144A have been accepted for clearance through the facilities of DTC with international securities identification number US005117AA49 and CUSIP number 005117AA4.

CERTAIN LIMITATIONS ON VALIDITY AND ENFORCEABILITY OF CIVIL CLAIMS AND SECURITY INTERESTS

Dubai International Financial Centre

If an enforcement notice is served on the Issuer, the Security Agents may, and, if so directed by the Bond Trustee shall, subject to Part 7 of the DIFC Law No 8 of 2005, enforce the security over the Debt Service Reserve Account, the Collection Account, the Redemption Account and the Eligible Investments pursuant to a DIFC law security agreement and APMI One Share Pledge (“**DIFC Security**”), demand possession of and recover all or any part of the assets that are the subject of the DIFC Security and/or appoint a receiver over such secured assets or exercise all the rights and remedies given to it by any applicable law as secured party. All monies received by the Security Agents from enforcement of the DIFC Security will be applied in accordance with DIFC Law No 8 of 2005.

Kingdom of Saudi Arabia

The Issuer is incorporated under the laws of the Dubai International Financial Centre as a wholly-owned subsidiary of International Company for Water and Power Projects, a joint stock company incorporated in, and with a significant proportion of its assets and operations located in, Saudi Arabia. If investors were to seek enforcement of a New York judgment in Saudi Arabia, then the limitations described below would apply.

The Bonds are expressed to be governed by New York law and provide for arbitration and the jurisdiction of the courts of New York or English courts. Despite this, the courts and judicial committees of Saudi Arabia may not recognize the choice of New York law or English law or submission to jurisdiction of the New York courts or English courts. Accordingly, in any proceedings relating to the Bonds in Saudi Arabia, Islamic law, as interpreted in Saudi Arabia, may be applied by the relevant court or judicial committee. The courts and judicial committees of Saudi Arabia have the discretion to deny the enforcement of any contractual or other obligations, if, in their discretion, the enforcement thereof would be contrary to the principles of Islamic law. The ability of the Onshore Bond Security Agent or any Bondholder to exercise remedies under the Bonds upon the occurrence of a default or breach, other than a failure to pay principal upon the due date for a payment of principal, is uncertain under the laws of Saudi Arabia.

In Saudi Arabia, the Committee for the Resolution of Securities Disputes (the “**Committee**”) is responsible for the settlement of disputes arising under the Capital Market Law (issued by Royal Decree No. M/30, dated 2/6/1424H (corresponding to August 1, 2004) and its implementing regulations. The decisions of the Committee are subject to appeal before an appeal panel (the “**Appeal Panel**”) consisting of three members representing the Ministry of Finance, the Ministry of Commerce and Industry and the Bureau of Experts at the Council of Ministers. The decisions of the Appeal Panel are final.

It is uncertain in the absence of precedent whether the Committee or the Appeal Panel would accept jurisdiction over any claim relating to the Bonds or what decisions the Committee or the Appeal Panel would come to.

Disputes of a commercial nature in Saudi Arabia are heard before a judicial tribunal called the Board of Grievances, which strictly applies *Shari’a* law. In addition, the Board of Grievances has the exclusive jurisdiction to hear claims against Saudi Arabian government bodies.

The Saudi Government has approved a restructuring of the judiciary system, including the establishment of a supreme court (“**Supreme Court**”) as well as commercial, personal status and labour tribunals. The Judiciary Law and Grievances Board Law were enacted by Royal Decree No M/78 dated 19/9/1428H (corresponding to October 1, 2007) but are yet to be fully brought into force. Under the Judiciary Law, the Supreme Court will take over all the functions other than certain administrative responsibilities of the Supreme Judiciary Council, which currently serves as Saudi Arabia’s highest tribunal. The Board of Grievances’ current jurisdiction over commercial disputes will also pass to a new Commercial Court as part of this restructuring. It is not clear at this stage what the outcome of this reform of the judicial system will be and its impact, if any, on the Bonds or any claim under the Bonds.

Pursuant to the Enforcement Law issued by Royal Decree No. M/53 dated 13 Shaban 1433H (corresponding to July 3, 2012) and its Implementing Regulations issued by Ministerial Resolution No. 9892 dated 17 Rabi Thani 1434H (corresponding to February 27, 2013) (the “**Implementing Regulations**”), foreign judgments and arbitral awards are capable of being enforced by an enforcement judge in Saudi Arabia if the relevant conditions are satisfied.

The conditions which need to be satisfied include (among others) reciprocity, competence and public policy tests, as well as it being established that the defendant had an adequate opportunity to be represented and that the judgment or arbitral award is final. The reciprocity test would be satisfied upon the enforcement judge’s verification that, pursuant to an official confirmation from the Ministry of Justice, the country/state in which the foreign judgment or

arbitral award was rendered would reciprocally enforce the judgments of the courts and judicial committees of Saudi Arabia. The public policy requirement is specifically interpreted in the Implementing Regulations to mean compliance with Islamic law.

In addition, even if Bondholders were able to meet these requirements, they should be aware that if any terms of the Bonds (including any provisions relating to the payment of profit) were found to be inconsistent with Islamic law, they would not be enforced by the Board of Grievances.

Secondary market purchasers

The trading of debts is, generally, prohibited under Islamic law. Accordingly, if a secondary market purchaser of a Bond were to take direct action against the Issuer in Saudi Arabia, there is a possibility (although, as far as the Issuer is aware, no such matter has been the subject of adjudication before a Saudi court or judicial committee) that the Saudi courts would consider such claim to be void. Notwithstanding the foregoing, the Saudi Capital Market Law contemplates the trading of debt securities and provides for the establishment of the Committee to hear disputes, among others, relating to offering and subsequent sale of debt securities in Saudi Arabia implemented in accordance with the Offers of Securities Regulations issued by the Capital Market Authority of Saudi Arabia. However, no assurance can be given as to how the Committee would treat secondary market purchases of the Bonds.

Enforcement of profit, interest and other provisions

An obligation to pay a sum in the nature of interest (howsoever described, and whether described as a discount, premium or otherwise), is not enforceable under Islamic law, which is the paramount body of law in Saudi Arabia. It follows that provisions for the payment of sums in the nature of interest will not be enforced by a court or judicial committee in Saudi Arabia applying Islamic law. In particular, a court or judicial committee in Saudi Arabia may, on the application of the payer of sums in the nature of interest, only give judgment in respect of principal sums found by such court or judicial committee to be due and payable less the amount of sums in the nature of interest previously paid by the payer to the payee. Any amounts previously paid by and/or on behalf of the Issuer in respect of sums in the nature of interest would therefore reduce the amount receivable by Bondholders in relation to payments of principal.

In addition, there is a risk that a Saudi court or judicial committee (as the case may be) will not give effect to an event of default other than the non-payment of principal.

To the extent any proceedings relating to the insolvency or bankruptcy of the Issuer are held in Saudi Arabia, such proceedings may be resolved before the Board of Grievances.

United Kingdom

The United States and England currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments (as opposed to arbitration awards) in civil and commercial matters. Consequently, a final judgment for payment rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal securities laws, would not automatically be recognized or enforceable in England. In order to enforce any such U.S. judgment in England, proceedings must first be initiated before a court of competent jurisdiction in England. In such an action, the English court would not generally reinvestigate the merits of the original matter decided by the U.S. court (subject to what is stated below) and it would usually be possible to obtain summary judgment on such a claim (assuming that there is no good defense to it). Recognition and enforcement of a U.S. judgment by an English court in such an action is conditional upon (among other things) the following:

- the U.S. court having had jurisdiction over the original proceedings according to the conflict of laws principles of the English court;
- the U.S. judgment being final and conclusive on the merits in the sense of being final and unalterable in the court which pronounced it and being for a debt or being for a definite sum of money;
- the U.S. judgment and the enforcement of such judgment not contravening English public policy;
- the U.S. judgment not being for a sum payable in respect of tax, or other charges of a like nature in respect of a penalty or fine or otherwise based on a law that an English court considers to relate to a penal, revenue or other public law;
- the U.S. judgment not having been arrived at by doubling, trebling or otherwise multiplying a sum assessed as compensation for the loss or damages sustained and not being otherwise in breach of Section 5 of the Protection of Trading Interests Act 1980 and not being a judgment based on measures designated by the Secretary of State under Section 1 of that Act;
- the U.S. judgment not having been obtained by fraud or in breach of the principles of natural or substantial justice of the English court;

- judgment is not given in proceedings brought in breach of an agreement for settlement of disputes;
- there not having been a prior inconsistent decision of an English court or the court of another jurisdiction whose judgement is entitled to recognition in the English court on the issues in question;
- the U.S. judgment remains enforceable in the U.S. jurisdiction of origin, and remains unsatisfied;
- the enforcement of the U.S. judgement is not prohibited by U.K. statute;
- the bringing of proceedings in the relevant U.S. court was not contrary to an agreement under which the dispute in question was to be settled otherwise than by proceedings in that court (and the judgement debtor did not submit to the jurisdiction of that court);
- no order has been made and remains effective under Section 9 of the Foreign Judgments (Reciprocal Enforcement) Act 1933 (the power to make foreign judgements unenforceable in England if no reciprocity) applying that section to U.S. courts, including the relevant U.S. court; and
- the English enforcement proceedings being commenced within six years from the date of the U.S. judgment.

Subject to the foregoing, investors may be able to enforce in England judgments in civil and commercial matters that have been obtained from U.S. federal or state courts using the methods generally available for this purpose (which methods generally permit the court discretion to prescribe the manner of enforcement). Nevertheless, we cannot assure you that those judgments will be recognized or enforceable in England. In particular, it may not be possible to obtain a judgement in an English court or to enforce that judgement if the judgment creditor or the judgement debtor is or becomes subject to any insolvency or similar proceedings, or if the judgement debtor has any set-off or counterclaim against the judgment creditor. In addition, it is questionable whether an English court would accept jurisdiction and impose civil liability if the original action was commenced in England, instead of the United States, and predicated solely upon U.S. federal securities laws.

Kingdom of Bahrain

Any final and conclusive judgment obtained in the English courts would be recognized and enforced by the courts in the Kingdom of Bahrain provided that the English courts recognize and enforce the judgments rendered by the courts of the Kingdom of Bahrain. However, at present there is no reciprocity between England and the Kingdom of Bahrain. In order to enforce an English court judgment in the courts of the Kingdom of Bahrain, the judgment creditor must file a fresh case in which the courts of the Kingdom of Bahrain may accept the English court judgment as evidence of the debt. The English court judgment will have to be consularized and translated into Arabic before being accepted as evidence in the Bahrain courts. In any case, the courts of the Kingdom of Bahrain will not recognize the English court judgment if it is against the public policy of the Kingdom of Bahrain.

Any final and conclusive judgment obtained in courts of the Dubai International Financial Centre will be recognized and enforced by the courts in the Kingdom of Bahrain pursuant to Legislative Decree No. 9 of 1996 ratifying the Agreement for the Execution of the Judicial Judgments, Delegations and Court Summonses of the Gulf Cooperation Council Member States (the “**GCC Convention**”) and in accordance with the GCC Convention provisions.
Kingdom of Bahrain

British Virgin Islands

The direct enforcement in the British Virgin Islands of a money judgment (not being in respect of multiple damages, or a fine, penalty, tax or other charge of similar nature) awarded in a foreign court is principally governed by the Reciprocal Enforcement of Judgments Act 1922 (Cap 65), which permits the registration of such a judgement in the British Virgin Islands High Court provided it (a) is a money judgement; and (b) originates from a prescribed jurisdiction (which includes England and Wales but does not include the DIFC, the Kingdom of Saudi Arabia nor any state or territory of the United States) and it is “just and convenient” to do so. An application for registration of such judgement or award in the British Virgin Islands must be made within 12 months from the date of the judgement or award (although this time line may be extended). Upon registration, a judgment will be enforceable as a BVI judgment. A foreign judgement however must be refused registration if: (i) the foreign court acted without jurisdiction; (ii) the judgment debtor, being a person who was neither carrying on business nor ordinarily resident in the foreign jurisdiction, did not voluntarily submit or agree to submit to the jurisdiction of that court; (iii) the judgment debtor was not duly served with the foreign proceedings and did not appear (regardless of whether he carried on business or ordinarily resided in the foreign jurisdiction, or voluntarily submitted to the jurisdiction of that court); (iv) the judgment was obtained by fraud; (v) an appeal against the judgment is pending, or the debtor is entitled to and intends to lodge an appeal; or (vi) the judgment was in respect of a cause of action which, for reasons of public policy, would not have been entertained in this jurisdiction. A money judgement awarded in a foreign court in a non-prescribed jurisdiction (such as the DIFC, the United States or the Kingdom of Saudi Arabia) may be enforced in the British Virgin Islands but would need to satisfy common law requirements for the enforcement of

foreign judgements. Such a judgement would not be directly enforceable in the manner described above in the case of a judgement originating from a prescribed jurisdiction (such as the United Kingdom). In particular, in order for a judgment to be enforced in the British Virgin Islands under common law principles, the necessary criteria are: (i) the judgment must be of a court of competent jurisdiction, final and conclusive, and made on the merits of the case; (ii) the parties to the original judgment (or their privies) must be the same as those in the British Virgin Islands action; and (iii) the issue in the British Virgin Islands action must be the same as the issue decided by the court in the earlier action.

There are several ways in which an arbitration award obtained in London under the LCIA Rules (the “**Forum**”) may be enforced in the British Virgin Islands. The principal method is under the Arbitration Act 2013 of the British Virgin Islands, whereby any final and conclusive monetary award obtained against a party assignor in arbitration proceedings in the Forum agreement for a definite sum may, with the leave of the High Court in the British Virgin Islands, be enforced in the same manner as a judgment of the British Virgin Islands court under the procedure set out in the New York Convention. The BVI High Court may only exercise its discretion to refuse leave if:

- (a) a party to the arbitration agreement was, under the law applicable to him, under some incapacity;
- (b) the arbitration agreement was not valid under the governing law of the arbitration agreement;
- (c) the assignor was not given proper notice of the appointment of the arbitrator or of the arbitration proceedings, or was otherwise unable to present its case;
- (d) the award deals with an issue not contemplated by or not falling within the terms of the submission to arbitration, or contains matters beyond the scope of the arbitration, subject to the proviso that an award which contains decisions on such matters may be enforced to the extent that it contains decisions on matters submitted to arbitration which can be separated from those matters not so submitted;
- (e) the composition of the arbitral authority was not in accordance with the agreement of the parties or, failing such agreement, with the law of the Forum;
- (f) the award has not yet become binding upon the parties, or has been set aside or suspended by a competent authority, either in the Forum, or pursuant to the law of the arbitration agreement;
- (g) the subject matter of the award was not capable of resolution by arbitration; or
- (h) enforcement would be contrary to public policy.

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**Arabian Company for Water and Power
Projects and its Subsidiaries
(A Closed Joint Stock Company)**

**SPECIAL-PURPOSE CONSOLIDATED FINANCIAL
STATEMENTS**

31 DECEMBER 2016

**AUDITORS' REPORT TO THE SHAREHOLDERS OF
ARABIAN COMPANY FOR WATER AND POWER PROJECTS
(A Closed Joint Stock Company)**

Scope of audit:

We have audited the accompanying special-purpose consolidated balance sheet of Arabian Company for Water and Power Projects - A Saudi Joint Stock Company (the "Company") and its subsidiaries (collectively the "Group") as at 31 December 2016 and the related special-purpose consolidated statements of income, cash flows and changes in equity for the year then ended. These special-purpose consolidated financial statements are the responsibility of the Group's management and have been prepared by them and submitted to us together with all the information and explanations that we required. Our responsibility is to express an opinion on these special-purpose consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the special-purpose consolidated financial statements.

Basis of preparation:

The accompanying special-purpose consolidated financial statements have been prepared in accordance with the basis of preparation set out in note 2.

Unqualified opinion:

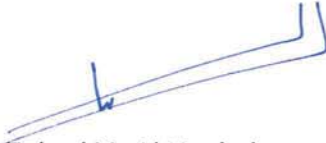
In our opinion, the special-purpose consolidated financial statements taken as a whole present fairly, in all material respects, the special-purpose consolidated financial position of the Group as at 31 December 2016 and the results of its operations and its cash flows for the year then ended in accordance with the basis of preparation set out in note 2.

**AUDITORS' REPORT TO THE SHAREHOLDERS OF
ARABIAN COMPANY FOR WATER AND POWER PROJECTS (Continued)
(A Closed Joint Stock Company)**

Emphasis of matter:

Without qualifying our opinion, we draw attention to note 2 to the special-purpose consolidated financial statements. As stated therein, the Company was converted from a limited liability company to a closed joint stock company on 9 December 2014. Consequently, the first financial period post conversion was for the period from 9 December 2014 to 31 December 2015. The comparative statement of income information in these special purpose consolidated financial statements is prepared for the year ended 31 December 2015 without considering the change in legal status, for comparability purposes. Separate statutory consolidated financial statements with comparative information for the period from 9 December 2014 to 31 December 2015 are prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

For Ernst & Young



Fahad M. Al-Toaimi
Certified Public Accountant
Registration No. 354



Riyadh: 14 Rajab 1438H
(11 April 2017)

Arabian Company for Water and Power Projects and its Subsidiaries
(A Closed Joint Stock Company)

SPECIAL-PURPOSE CONSOLIDATED BALANCE SHEET

As at 31 December 2016

All amounts in Saudi Riyals thousands

	<i>Notes</i>	2016	2015
ASSETS			
CURRENT ASSETS			
Bank balances and cash		181,960	253,454
Due from related parties	5	66,287	378,320
Prepayments and other receivables	6	50,535	204,394
Inventories		849	151,730
		<u>299,631</u>	<u>987,898</u>
Assets held for sale	26	1,024,727	-
		<u>1,324,358</u>	<u>987,898</u>
NON-CURRENT ASSETS			
Due from related parties	5	347,554	37,625
Fair value of derivatives	11	64,047	35,197
Available for sale investments	7	13	13
Investments in associates and joint ventures	7	1,644,840	1,350,839
Property, plant and equipment	8	139,973	178,269
		<u>2,196,427</u>	<u>1,601,943</u>
TOTAL ASSETS		<u>3,520,785</u>	<u>2,589,841</u>
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Accounts payable and accruals	9	8,162	404,176
Short-term facilities		15,000	-
Current portion of long term loans and facilities	13	57,025	46,433
Zakat and income tax payable	10	1,782	10,923
		<u>81,969</u>	<u>461,532</u>
Liabilities associated with the assets held for sale	26	673,404	-
		<u>755,373</u>	<u>461,532</u>
NON-CURRENT LIABILITIES			
Due to related parties	5	112,194	455,330
Long term loans and facilities	13	322,459	383,372
Employees' terminal benefits		2,718	33,151
Financial liabilities	11	1,000	1,718
Deferred tax liability		-	4,601
Deferred revenues and other liabilities	12	27,476	89,806
		<u>465,847</u>	<u>967,978</u>
TOTAL LIABILITIES		<u>1,221,220</u>	<u>1,429,510</u>

The attached notes 1 to 28 form part of these special-purpose consolidated financial statements.

Arabian Company for Water and Power Projects and its Subsidiaries
(A Closed Joint Stock Company)

SPECIAL-PURPOSE CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 31 December 2016

All amounts in Saudi Riyals thousands

	<i>Notes</i>	2016	2015
EQUITY			
Shareholders' equity			
Capital	14(a)	1,377,000	1,377,000
Advance against share capital	14(a)	490,000	-
Treasury shares	14(b)	(40,935)	(40,935)
Statutory reserve	14(c)	143,841	87,865
Merger reserve		15,132	15,132
Currency translation reserve	14(e)	-	(4,354)
Retained earnings		1,046,394	695,962
Reserves associated with discontinued operations	26	(4,800)	-
Total shareholders' equity before cash flow hedge reserve		3,026,632	2,130,670
Cash flow hedge reserve	11,14(d)	(817,059)	(1,049,751)
Total shareholders' equity		2,209,573	1,080,919
Minority interests		89,992	79,412
TOTAL EQUITY		2,299,565	1,160,331
TOTAL LIABILITIES AND EQUITY		3,520,785	2,589,841

The attached notes 1 to 28 form part of these special-purpose consolidated financial statements.

Arabian Company for Water and Power Projects and its Subsidiaries
(A Closed Joint Stock Company)

SPECIAL-PURPOSE CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2016

All amounts in Saudi Riyals thousands

	<i>Notes</i>	2016	2015
CONTINUING OPERATIONS			
Revenue	15	151,517	143,187
Operating costs	16	(40,719)	(41,638)
		<hr/>	<hr/>
GROSS PROFIT		110,798	101,549
Share in net income of an associate and joint ventures	7	343,771	285,422
Development expenses		-	(158)
General and administration expenses	17	(33,115)	(32,451)
		<hr/>	<hr/>
INCOME FROM MAIN OPERATIONS		421,454	354,362
Other income	18	55,678	11,064
Financial charges	13	(28,942)	(23,457)
		<hr/>	<hr/>
INCOME BEFORE ZAKAT, TAX AND MINORITY INTERESTS		448,190	341,969
Zakat and tax	10	(1,484)	(2,850)
		<hr/>	<hr/>
INCOME BEFORE MINORITY INTERESTS AND INCOME FROM DISCONTINUED OPERATIONS		446,706	339,119
DISCONTINUED OPERATIONS			
Income before minority interests and after tax for the year from discontinued operations	26	138,352	90,066
		<hr/>	<hr/>
Minority interests		585,058	429,185
		(25,303)	(20,015)
		<hr/>	<hr/>
NET INCOME FOR THE YEAR		559,755	409,170
		<hr/> <hr/>	<hr/> <hr/>
BASIC AND DILUTED EARNINGS PER SHARE (SR):			
	14(h)		
Attributable to income from main operations		3.15	2.65
		<hr/>	<hr/>
Attributable to net income		4.19	3.06
		<hr/> <hr/>	<hr/> <hr/>

The attached notes 1 to 28 form part of these special-purpose consolidated financial statements.

Arabian Company for Water and Power Projects and its Subsidiaries
(A Closed Joint Stock Company)

SPECIAL-PURPOSE CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

All amounts in Saudi Riyals thousands

	Notes	2016	2015
OPERATING ACTIVITIES			
Income before zakat, tax and minority interests from continuing operations		448,190	341,969
Income before tax for the year from discontinued operations	26	151,356	104,078
Adjustments for:			
Depreciation	8	43,865	32,943
Provision for doubtful accounts		-	6,121
Provision for employees' terminal benefits		16,652	10,784
Share in net income of associates and joint ventures	7	(380,957)	(301,267)
Development expenses		-	158
Unrealised gain on derivatives	18	(38,172)	-
Fair value of cash flow hedges recycled to special-purpose consolidated statement of income		3,617	1,320
<i>Operating cash flows before working capital changes</i>		244,551	196,106
Changes in operating assets and liabilities:			
Prepayments and other receivables		117,517	(91,490)
Inventories		(5,470)	(40,258)
Due from related parties		(197,445)	(125,162)
Accounts payables and accruals		89,222	153,441
Deferred revenues and other liabilities		4,815	11,290
Net cash flows from operations		253,190	103,927
Zakat and income tax paid	10	(18,436)	(12,758)
Employees terminal benefits paid		(6,104)	(5,101)
Dividends received from associates and joint ventures		85,795	167,968
Net cash from operating activities		314,445	254,036
INVESTING ACTIVITIES			
Purchase of property, and equipment	8	(43,826)	(15,863)
Repayment from a joint venture, net		132,856	61,014
Recovery of advances from investment		-	360,360
Net cash from investing activities		89,030	405,511
FINANCING ACTIVITIES			
Due to related parties, net		(166,687)	(524,604)
Short term facilities		15,000	-
Repayment of long term loans and facilities		(50,321)	(48,683)
Dividends paid		(80,723)	(20,965)
Net cash used in financing activities		(282,731)	(594,252)
NET INCREASE IN BANK BALANCES AND CASH		120,744	65,295
Bank balances and cash associated with discontinued operations		(192,238)	-
Bank balances and cash at beginning of the year		253,454	188,159
BANK BALANCES AND CASH AT END OF THE YEAR		181,960	253,454

The attached notes 1 to 28 form part of these special-purpose consolidated financial statements.

Arabian Company for Water and Power Projects and its Subsidiaries
(A Closed Joint Stock Company)

SPECIAL-PURPOSE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2016

All amounts in Saudi Riyals thousands

	<i>Notes</i>	2016	2015
<i>Significant non-cash transactions:</i>			
Conversion of loan due to Parent Company to share capital	14	490,000	-
Net change in fair value of cash flow hedges	7	228,357	180,270
Non-cash dividend		(87,347)	-
Translation of foreign operations		27	4,354
Investment in joint ventures		-	(488,985)
Dividend receivable from joint ventures	6	(48,254)	-

The attached notes 1 to 28 form part of these special-purpose consolidated financial statements.

Arabian Company for Water and Power Projects and its Subsidiaries
(A Closed Joint Stock Company)

SPECIAL-PURPOSE CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

All amounts in Saudi Riyals thousands

	Shareholders' equity							Reserves associated with discontinued operations		Minority interests	Total	
	Capital	Advance against share capital	Treasury shares	Statutory reserve	Merger reserve	Retained earnings	Currency translation reserve	Cash flow hedge reserve	Total			
Balance at 31 December 2014	1,377,000	-	(40,935)	45,357	15,132	328,690	-	(1,231,950)	-	493,294	80,974	574,268
Net income for the year	-	-	-	-	-	409,170	-	-	-	409,170	20,015	429,185
Transfer to statutory reserve	-	-	-	42,508	-	(42,508)	-	-	-	-	-	-
Zakat and income tax over provision adjustment (note 10)	-	-	-	-	-	610	-	-	-	610	-	610
Net changes in fair value of cash flow hedges (note 14(d))	-	-	-	-	-	-	-	182,199	-	182,199	-	182,199
Currency translation reserve (note 14(e))	-	-	-	-	-	-	(4,354)	-	-	(4,354)	(612)	(4,966)
Dividends	-	-	-	-	-	-	-	-	-	-	(20,965)	(20,965)
Balance at 31 December 2015	1,377,000	-	(40,935)	87,865	15,132	695,962	(4,354)	(1,049,751)	-	1,080,919	79,412	1,160,331
Advance against share capital (note 14(a))	-	490,000	-	-	-	-	-	-	-	490,000	-	490,000
Net income for the year	-	-	-	-	-	559,755	-	-	-	559,755	25,303	585,058
Transfer to statutory reserve	-	-	-	55,976	-	(55,976)	-	-	-	-	-	-
Net changes in fair value of cash flow hedges (note 14(d))	-	-	-	-	-	-	-	232,273	-	232,273	-	232,273
Currency translation reserve (note 14(e))	-	-	-	-	-	-	(27)	-	-	(27)	-	(27)
Dividends (note 14(g))	-	-	-	-	-	(153,347)	-	-	-	(153,347)	(14,723)	(168,070)
Reserves associated with discontinued operation (notes 14(d) and 26)	-	-	-	-	-	-	4,381	419	(4,800)	-	-	-
Balance at 31 December 2016	1,377,000	490,000	(40,935)	143,841	15,132	1,046,394	-	(817,059)	(4,800)	2,209,573	89,992	2,299,565

The attached notes 1 to 28 form part of these special-purpose consolidated financial statements.

Arabian Company for Water and Power Projects and its Subsidiaries (A Closed Joint Stock Company)

NOTES TO THE SPECIAL-PURPOSE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2016

1. ACTIVITIES

Arabian Company for Water and Power Projects (the “Company”) is a closed joint stock company registered in Riyadh, Kingdom of Saudi Arabia under commercial registration number 1010202563 dated 29 Shaban 1425H (corresponding to 14 October 2004).

The Company and its subsidiaries (collectively the “Group”) are engaged in ownership, operation and maintenance of electricity generation, transmission, distribution, water purification and sewerage plants. It is also licensed to engage in works on dams, works on generation, transmission and distribution of electricity, water and sewage plants.

These special-purpose consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The following are the direct subsidiaries of the Company:

<i>Subsidiary</i>	<i>Country of incorporation</i>	<i>Principal activities</i>	<i>Effective holding</i>	
			<i>2016</i>	<i>2015</i>
Aqua Marafiq Water and Electricity Company Limited (“AMWEC”)	British Virgin Islands	Carry on or undertake any business or activity, do any act or enter into any transaction with full rights, powers and privileges and has no limitations on the business that it may carry on.	100%	100%
Project Acquisition Company Limited (“PAC”)	Kingdom of Saudi Arabia	Construction, development, ownership, maintenance and operation contracting of electricity generation and desalination plants.	100%	100%
Rabigh Project Company Limited (“RAPCO”)	Kingdom of Saudi Arabia	Construction, development, ownership, maintenance and operation contracting of electricity generation and desalination plants.	100%	100%
Shuqaiq Arabian Water and Electricity Company Limited (“SAWEC”)	Kingdom of Saudi Arabia	Ownership, maintenance and operation contracting of electricity generation, desalination plants and sewage plants.	95%	95%
Shuaibah National Company for Water & Power (“SNC”)	Kingdom of Saudi Arabia	Ownership, maintenance and operation contracting of electricity generation, desalination plants and sewage plants.	95%	95%
Saudi Malaysian Operations & Maintenance Services Company Limited (“SAMAOMCO”)	Kingdom of Saudi Arabia	Operation and maintenance of electric generation stations.	50%	50%
Al-imtiaz Operation and Maintenance Company Limited (“Imtiaz”)	Kingdom of Saudi Arabia	Operation and maintenance of electric generation and water desalination stations.	50%	50%
Qurayyah Project Company (“QPC”)	Kingdom of Saudi Arabia	Construction of power generation plants, saline water and steam treatment plants and their maintenance.	100%	100%
Floating Ships for Water Projects Company Limited (“Floating Ships”)	Kingdom of Saudi Arabia	Construct, own, develop, operate and maintain water desalination plants erected on barges and ships and to carry out activities of production and sale of desalinated water.	64.85%	64.85%
First National Operation and Maintenance Company Limited (“NOMAC”)	Kingdom of Saudi Arabia	Management, operation and maintenance of water and power projects and plants. (note 26)	100%	100%
International Barges Company for Water Desalination Limited (“Bowarege”)	Kingdom of Saudi Arabia	Construct, own, develop, operate and maintain water desalination plants erected on barges and ships and to carry out activities of production and sale of desalinated water.	64.85%	64.85%
Rabigh Expansion Company (“REC”)	Kingdom of Saudi Arabia	Establish and create, manage, operate and invest in industrial and service projects and construction.	100%	100%

Arabian Company for Water and Power Projects and its Subsidiaries (A Closed Joint Stock Company)

NOTES TO THE SPECIAL-PURPOSE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 December 2016

All amounts in Saudi Riyals thousands

2. BASIS OF PREPARATION

The Company was converted from a limited liability Company to a joint stock company on 9 December 2014. As per the regulations of the Ministry of Commerce and Industry (“MOCI”) in the Kingdom of Saudi Arabia, the Company’s first financial period (after it became a closed joint stock company) commences from 9 December 2014 and ends on 31 December 2015. The comparative figures in these special-purpose financial statements are presented for the period from 1 January 2015 to 31 December 2015. Separate statutory financial statements in compliance with MOCI regulations are also prepared covering the comparative period from 9 December 2014 to 31 December 2015.

These special-purpose consolidated financial statements are prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

These special-purpose consolidated financial statements are prepared in connection with bond issuance by an affiliate.

3. BASIS OF CONSOLIDATION

These special-purpose consolidated financial statements comprise the assets, liabilities and the results of operations of the Group. Subsidiaries are entities which are controlled by the Group. Control is achieved where the Company has the power to govern the financial and operating policies of an entity to obtain benefits from its activities. Call options are considered when determining whether the Group exercises control. Once it is determined that the Group has control over another entity, the proportions of profit or loss and changes in equity allocated to the parent and non-controlling interests are based on present ownership interests. This assessment also takes into account the terms of the call option, and judgment is required.

The results of subsidiaries acquired or disposed of during the year are included in the special-purpose consolidated statement of income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

All intra-group transactions, balances, income and expenses are eliminated in full. Minority interests in the net assets of consolidated subsidiaries are identified separately from the Company's equity therein. Minority interests comprise of the amount of those interests at carrying value at the date of the original business acquisition and the minority's share of changes in equity since the date of the acquisition.

4. SIGNIFICANT ACCOUNTING POLICIES

These special-purpose consolidated financial statements have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. These special-purpose consolidated financial statements are presented in Saudi Riyals (“SR”) which is the reporting currency of the Company. The significant accounting policies adopted are as follows:

Accounting convention

The special-purpose consolidated financial statements are prepared under the historical cost convention modified to include the measurement of derivative financial instruments (including written put options) at fair value.

Cash and cash equivalents

For the purposes of the special-purpose consolidated statement of cash flows, cash and cash equivalents consists of bank balances and cash on hand.

Arabian Company for Water and Power Projects and its Subsidiaries (A Closed Joint Stock Company)

NOTES TO THE SPECIAL-PURPOSE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 December 2016

All amounts in Saudi Riyals thousands

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts receivable

Accounts receivable are stated at original invoice amount less allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Accounts receivable, together with associated allowance are written-off when there is no realistic prospect of future recovery. A provision against doubtful debts is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Such provisions are charged to the special-purpose consolidated statement of income and reported under "General and administration expenses". When an account receivable is uncollectible, it is written-off against the provision for doubtful debts. Any subsequent recoveries of amounts previously written-off are credited against "General and administration expenses" in the special-purpose consolidated statement of income.

Deferred costs (Projects under development)

Costs incurred on projects under development, which are considered as feasible, are carried on the special-purpose consolidated balance sheet. If a project is no longer considered feasible, the accumulated costs relating to that project are charged to the special-purpose consolidated statement of income in the year in which the determination is made. The Group makes provision against these projects based on expected success rates. Development costs reimbursed by successful projects are recognised as a deduction from deferred costs in the special-purpose consolidated balance sheet. Proceeds received from successful projects in excess of development cost reimbursements are recognised during the year in the special-purpose consolidated statement of income.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise purchase cost, and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

The accounting standards generally accepted in the Kingdom of Saudi Arabia require that the cost of inventories should be determined using the weighted average method. The management believes that the first-in-first-out method is more appropriate considering the nature and physical flow of the products. Had the Group used the weighted average cost method, the cost of inventories and the operating costs would not have been materially different.

Property, plant and equipment

Property, plant and equipment, except for land and capital work in progress, are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the special-purpose consolidated statement of income as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Capital work-in-progress represents all costs relating directly or indirectly to the projects in progress and will be accounted for under relevant category of property, plant and equipment.

The cost less estimated residual value of other items of property, plant and equipment is depreciated on a straight line basis over the estimated useful lives of the assets.

Arabian Company for Water and Power Projects and its Subsidiaries (A Closed Joint Stock Company)

NOTES TO THE SPECIAL-PURPOSE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 December 2016

All amounts in Saudi Riyals thousands

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the special-purpose consolidated statement of income when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and the present value of cash flows expected from the assets.

Investments in associates and joint ventures

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Joint ventures are those entities where the Group shares effective control with other shareholders of the investee company.

The Group's investments in its associates and joint ventures are accounted for using the equity method of accounting from the date that the significant influence or joint-control commence until the date that such influence or joint-control ceases. Under the equity method of accounting, the investment in associates and joint ventures are carried in the special-purpose consolidated balance sheet at cost, plus post-acquisition changes in the Group's share of net assets of the associates and joint ventures. The Group's special-purpose consolidated statement of income reflects the Group's share of the results of operations of the associates and joint ventures. Where there has been a change recognised directly in the equity of the associates and joint ventures, the Group recognises its share of such changes in its special-purpose consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associates or joint ventures ("upstream and downstream") are eliminated to the extent of the Group's interest in the associates or joint ventures.

The aggregate of the Group's share of profit or loss of associates and joint ventures is shown on the face of the special-purpose consolidated statement of income. For presentation purposes, negative balances of investments in associates and joint ventures with the positive value of investments in associates and joint ventures and the balance is shown net on the special-purpose consolidated balance sheet.

The financial statements of the associates or joint ventures are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring their accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in associates or joint ventures. At each reporting date, the Group determines whether there is objective evidence that the investment in an associate or a joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognises the loss within 'Share in net income of an associate and joint ventures' in the special-purpose consolidated statement of income.

When the Group's share of losses exceeds its interest in associates or joint ventures, the Group's carrying amount is reduced to zero and recognition of further losses is discontinued, except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of such investee companies, where the Group recognises a liability. If the associate or joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Arabian Company for Water and Power Projects and its Subsidiaries
(A Closed Joint Stock Company)

NOTES TO THE SPECIAL-PURPOSE CONSOLIDATED FINANCIAL
STATEMENTS (continued)

31 December 2016

All amounts in Saudi Riyals thousands

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in the special-purpose consolidated statement of income.

When the Group increases its ownership interest in an existing associate / joint venture that remains an associate / joint venture after that increase, the purchase price paid for the additional interest is added to the existing carrying amount of the associate/ joint venture and the existing share in net assets of the associate or joint venture is not remeasured. The cost of additional investment is allocated between the share of the fair value of net assets and goodwill. Any excess of the additional share in fair value of net assets acquired over the purchase price is recognised as a gain in the special-purpose consolidated statement of income.

Appropriate adjustments are recognised in the Group's share of the associate's / joint venture's profit or loss after additional acquisition in order to reflect the Group's share in fair value of net assets at the acquisition date, arising from the additional acquisition.

Changes in ownership interest in subsidiaries

Changes in Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). In such circumstances the carrying amounts of the controlling and minority interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the minority interests shall be adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the shareholders of the Company.

Impairment of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset, has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If such evidence exists, any impairment loss is recognised in the special-purpose consolidated statement of income. Impairment is determined as follows:

- (a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the special-purpose consolidated statement of income;
- (b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- (c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows (excluding future expected credit losses that have not yet been incurred) discounted at the original effective interest rate.

Arabian Company for Water and Power Projects and its Subsidiaries
(A Closed Joint Stock Company)

NOTES TO THE SPECIAL-PURPOSE CONSOLIDATED FINANCIAL
STATEMENTS (continued)

31 December 2016

All amounts in Saudi Riyals thousands

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the special-purpose consolidated balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Accounts payable and accruals

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

Provisions

Provisions are recognised when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be measured reliably.

Employees' terminal benefits

Provision is made for amounts payable under the Saudi Arabian labour law applicable to employees' accumulated periods of service at the balance sheet date. The liability is calculated as the current value of the vested benefits to which the employee is entitled, should the employee leave at the balance sheet date.

Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured for any changes in their fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from the changes in the fair value of derivatives are taken directly to the special-purpose consolidated statement of income, except for the effective portion of cash flow hedges, which is recognised in equity and later reclassified to profit or loss when the hedged item affects the special-purpose consolidated statement of income.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument previously recognised in equity is retained separately in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss previously recognised in equity is transferred to the special-purpose consolidated statement of income for the year.

Arabian Company for Water and Power Projects and its Subsidiaries (A Closed Joint Stock Company)

NOTES TO THE SPECIAL-PURPOSE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 December 2016

All amounts in Saudi Riyals thousands

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Early adoption of IFRS 9: Financial Instruments

As part of risk management strategies, the Group uses derivative financial instruments to hedge foreign currency exposures and interest rate sensitivities. These derivative financial instruments qualify for hedge accounting. Since the accounting standards issued by the Saudi Organization for Certified Public Accountants (SOCPA) do not cover hedge accounting, the Group previously accounted for hedge strategies and derivative financial instruments in accordance with the requirements of International Accounting Standard 39 (IAS 39) Financial Instruments: Recognition and Measurement.

In July 2014, the International Accounting Standard Board (IASB) issued the final version of International Financial Reporting Standard 9 (IFRS 9) Financial Instruments, which reflects all phases of the financial instruments project and replaces IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted.

The Group has early adopted hedge accounting requirements of IFRS 9 in 2015, as the Group believed that hedge accounting under IFRS 9 provides more useful information about risk management activities that use financial instruments, with the effect that financial reporting more accurately reflects how the Group manages risk exposures and the extent to which hedging strategies mitigate those risks. At the time of adoption, the Group applied the requirements of hedge accounting under IFRS 9 prospectively. The early adoption of IFRS 9 did not impact the accounting policy of the Group on derivative financial instruments and hedge accounting.

Leases (as a lessor)

Operating lease

Arrangements which meet the criteria for operating leases are classified as such. Initial direct costs incurred in negotiating a lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Finance lease

Where the Group determines a long term power supply arrangement to be, or to contain, a lease and where the Group transfers substantially all the risks and benefits incidental to ownership of the leased item, the arrangement is considered as a finance lease. A finance lease is presented as net investment in finance lease and is recognised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments received are apportioned between finance income and the reduction of the net investment in finance lease so as to achieve a constant rate of commission on the remaining balance of the asset.

The amount of net investment in finance lease of equity-accounted project companies is recorded in the balance sheet of these project companies as a financial asset at the gross amount receivable under the finance lease less unearned finance income. Provision is made against net investment in finance lease as soon as any receivable is considered doubtful by the management.

Asset retirement obligation

The Group's equity-accounted project companies record the present value of estimated costs of legal decommissioning obligations required to restore the site to its original condition in the period in which the obligation is incurred. The nature of these activities includes dismantling and removing structures, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

The obligation generally arises when the asset is installed or the ground/environment is disturbed at the location. When the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related property, plant and equipment to the extent that it was incurred as a result of the development/construction of the asset.

Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in the statement of income as part of finance costs.

Arabian Company for Water and Power Projects and its Subsidiaries (A Closed Joint Stock Company)

NOTES TO THE SPECIAL-PURPOSE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 December 2016

All amounts in Saudi Riyals thousands

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue from supply of desalinated water and power is recognised upon delivery of desalinated water and power to the customer on an accrual basis. Capacity charge income (excluding receipts for services provided, such as insurance and maintenance) under Power and Water Purchase Agreement (“PWPA”) or Power Purchase Agreement (“PPA”) or Water Purchase Agreement (“WPA”) for each hour during which the plant is available for power generation and/or water desalination is recognised on a straight-line basis over the lease term or upon actual billing period as appropriate considering the terms of each PWPA or PPA or WPA. In case where straight line method is applied, excess revenue billed is deferred as a liability and reported in the special-purpose consolidated balance sheet as deferred revenue.

Revenues from rendering technical, operation and maintenance services are recognised when contracted services are performed. Revenue from development fees is recognised when charged.

Profit on fixed deposits is recognised as the profit accrues. Interest income is recognised on an effective yield basis.

Dividend income is recognised when the Group’s right to receive the dividend is established.

Borrowing costs

Borrowing costs directly attributable to the construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognised in the special-purpose consolidated statement of income in the period in which they are incurred. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the financial charges eligible for capitalisation. Front end fees, debt acquisition and arrangement fees that relate to the origination of the long term loans are amortised over the period of the loans using the effective interest rate (“EIR”). The amortisation on the effective interest basis is capitalised as part of projects under construction up to the date of commencement of commercial production and subsequently is charged to the special-purpose consolidated statement of income.

Expenses

General and administration expenses include direct and indirect costs not specifically forming part of operating costs. Allocations between general and administration expenses and operating costs, when required, are made on a consistent basis.

Taxation (including zakat)

Zakat and taxation is provided, in accordance with the Regulations of the General Authority for Zakat and Tax (“GAZT”) in the Kingdom of Saudi Arabia, on an accruals basis. Zakat and income tax related to the Company is charged to retained earnings while zakat and income tax related to its subsidiaries are charged to the special-purpose consolidated statement of income. Differences, if any, resulting from final assessments are adjusted in the year of their finalisation.

For subsidiaries outside the Kingdom of Saudi Arabia, provision for tax is computed in accordance with tax regulations of the respective countries.

Deferred income tax is provided for foreign subsidiaries, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on laws that have been enacted in the respective countries at the reporting date.

Deferred income tax assets are recognised for all deductible temporary differences and carry-forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profit will be available against which deductible temporary differences and carry-forward of unused tax assets and unused tax losses can be utilised.

Arabian Company for Water and Power Projects and its Subsidiaries (A Closed Joint Stock Company)

NOTES TO THE SPECIAL-PURPOSE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 December 2016

All amounts in Saudi Riyals thousands

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (including zakat) (continued)

The carrying amount of deferred income tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Foreign currencies

Transactions in foreign currencies are recorded in Saudi Riyals at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated in Saudi Riyals at the rate of exchange ruling at the reporting date. All differences are taken to the special-purpose consolidated statement of income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

On consolidation, the assets and liabilities of foreign operations are translated into Saudi Riyals at the rate of exchange prevailing at the reporting date and their income statements are translated at average exchange rates prevailing at the dates of transactions. Exchange differences arising on translation for consolidation, if material, are recognised as a separate component of the special-purpose consolidated statement of changes in shareholders' equity. On disposal of a foreign operation, the separate component of equity for exchange differences relating to that particular foreign operation is recognised in profit or loss.

Dividends

Final dividends are recognised as a liability at the time of their approval by the General Assembly. Interim dividends are recorded as and when approved by the Board of Directors.

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment, which is subject to risks and rewards that are different from those of other segments.

Earnings per share

Earnings per share are calculated by dividing income from main operations / net income for the year by the weighted average number of ordinary shares outstanding during the year.

Discontinued operations

The Group classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The Group shall measure a non-current asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell. Costs to sell refers to the incremental costs directly attributable to the disposal of an asset (or disposal group), excluding finance costs and income tax expense.

For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable. For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset (or disposal group), and an active programme to locate a buyer and complete the plan must have been initiated. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Discontinued operations (continued)

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and

- (a) represents a separate major line of business or geographical area of operations;
- (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- (c) is a subsidiary acquired exclusively with a view to resale.

An asset classified as held for sale, and the assets and liabilities included within a disposal group classified as held for sale, are presented separately in the special-purpose consolidated balance sheet. Results of discontinued operations are to be shown separately in the special-purpose consolidated income statement.

An asset classified as held for sale is not depreciated.

All other notes to the financial statements include amounts for continuing operations, unless otherwise mentioned. For more details on the discontinued operation and assets held for sale, see note 26.

Use of estimates

The preparation of special-purpose consolidated financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the special-purpose consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Significant areas where management has used estimates, assumptions or exercised judgments are as follows:

(i) Fair value of unquoted financial instruments

When the fair value of financial assets and financial liabilities recorded in the special-purpose consolidated balance sheet cannot be derived from active markets, the fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions. Derivatives valued using valuation techniques with market observable inputs are mainly interest rate swaps, foreign exchange forward contracts and call options. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the foreign exchange spot and forward rates and interest rate curves.

Pursuant to certain shareholder agreements, the Group has written put options on minority interests in a subsidiary and on counterparty's ownership interest in an associate. The fair values of these put options (i.e. the net present value of their redemption amount on exercise) are derived from discounted projected cash flow analysis of the respective entities and the redemption amount determined pursuant to contractual agreements. The fair value measurements are performed on an annual basis.

(ii) Impairment of accounts receivable

An estimate of the collectible amount of accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of the past due receivables.

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates (continued)

(iii) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives of property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear.

Management reviews the useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

(iv) Asset Retirement Obligation

The Group assesses the Asset Retirement Obligation ("ARO") of its equity-accounted project companies at each reporting date. Significant estimates and assumptions are made in determining the provision for ARO as there are numerous factors that will affect the ultimate amount payable. These factors include estimates of decommissioning activities, inflation rates and changes in discount rates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at reporting date represents management's best estimate of the present value of the future costs required.

(v) Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the special-purpose consolidated financial statements continue to be prepared on the going concern basis.

(vi) Leases classification

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement. Where an arrangement is determined to contain a lease, the arrangement is accounted for as either an operating or a finance lease.

The following are the critical assumptions that have been made in the process of applying the Group's accounting policies under International Financial Reporting Interpretations Committee (IFRIC) 4 for the Group's equity-accounted project companies, which have a significant effect on the amounts recognised in the financial statements:

- The power and water purchase agreements ("PPA") of the project companies are not from public-to-private, the project companies do not have any direct responsibility towards the public, and accordingly, IFRIC 12 *Service Concession Arrangements* does not apply.
- The price that the off-taker will pay for the output is contractually fixed per unit of neither output nor equal to the current market price per unit of output at the time of delivery of the output and accordingly, IFRIC 4 applies.
- Amongst other criteria, if at the end of the term of the PPA, the ownership of the Plant will be transferred to the off-taker the lease is classified as finance lease otherwise it is considered operating lease.

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5. RELATED PARTY TRANSACTIONS AND BALANCES

(i) Significant transactions with related parties during the year and significant year-end balances are as follows:

Related Parties	Notes	Relationships	Transactions/Balances	
			2016	2015
Special-purpose consolidated statement of income				
Revenue (note 15)		Affiliates	151,517	143,187
Service fees income (note 18)		Associate and Joint ventures	4,688	4,688
Special commission income (note 18)		Associate	12,818	5,988
Special commission expense		Shareholder	1,804	1,979
Due from related parties				
Current:				
Rakaa and its affiliates	(b)	Affiliates	57,224	95,601
Rabigh Arabian Water & Electricity Company	(a,c)	Associate	6,388	65,769
Shuaibah Water & Electricity Company	(a,c)	Joint venture	1,742	7,894
Shuaibah Expansion Project Company	(a,c)	Joint venture	933	9,582
Hajr for Electricity Production Company	(a)	Joint venture	-	111,305
ACWA Power Barka SAOG	(a)	Affiliate	-	35,848
Shuqaiq Water and Electricity Company	(a)	Joint venture	-	21,700
Rabigh Electricity Company	(a)	Joint venture	-	13,397
ACWA Power Ouarzazate S.A.	(d)	Affiliate	-	12,643
Al Mourjan for Electricity Production Company	(a)	Joint venture	-	119
ACWA Power Ouarzazate II S.A.	(d)	Affiliate	-	1,503
Other related parties		Affiliates	-	2,959
			66,287	378,320
Non-current:				
Rabigh Arabian Water & Electricity Company	(e)	Associate	299,557	-
ACWA Power Global Holdings Limited	(i)	Affiliate	37,625	37,625
Qurayyah Investment Company	(h)	Joint venture	10,372	-
			347,554	37,625
Due to related parties				
Non-current:				
International Company for Water and Power Projects	(f)	Parent Company	112,194	409,648
Kahromaa Company	(g)	Affiliate	-	40,925
ACWA Power Barka Project TSA Company		Affiliate	-	2,960
Others		Affiliate	-	1,797
			112,194	455,330

(a) As of 31 December 2015, due from project companies mainly include amounts receivable by NOMAC (and its subsidiaries) for O&M services provided to related parties under O&M contracts.

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5. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

- (b) Significant portion of receivable represents invoices outstanding in relation to supply of desalinated water to Saline Water Conversion Corporation (“SWCC”), the ultimate customer, which are billed by Bowarege to Rakaa Saudi Power and Water Company Limited (“Rakaa Saudi”). There is a back to back arrangement between Rakaa Saudi and SWCC for the supply of desalinated water which was extended for an additional 12 months period starting 1 January 2017 and further extension of the duration is subject to the renewal of contact by SWCC with Rakaa Saudi. The balance also includes receivable from Rakaa International Service Company on account of bridge facility repayments made on its behalf by Floating Ships for Water Projects Company Limited.
- (c) The receivables as of 31 December 2016 relate to fee from services rendered and special commission income (note 18).
- (d) This amount represents construction and early mobilisation management fees.
- (e) The amount represents subordinated loan provided by the Company and has no specific repayment date. The loan carries a special commission of LIBOR plus an agreed margin.
- (f) Balance as of 31 December 2016, includes amounts received by the Group on behalf of the Parent Company amounting to SAR 63.8 million, and was subsequently settled in full in January 2017. The balance due as of the reporting date also represents amounts due to the Parent Company in relation to treasury shares and payables due for services rendered to the Group. These balances have no specific repayment dates and bear no special commission.
Balance as of 31 December 2015 represents advances by the Parent Company to originally fund advances for investment. These advances had no specific repayment dates and carried no special commission (note 14 (a)).
- (g) The balance as of 31 December 2015 represents amounts due to Kahromaa Company (a subsidiary of the parent company) with respect to the treasury shares acquired by the Group in 2014. During 2016, the amount was assigned by Kahromaa Company to the Parent Company.
- (h) The balance represents advance paid to Qurayyah Investment Company that has no specific repayment and bears no special commission. The balance will be reclassified to investment once completion of legal formalities.
- (i) The balance represents advances provided to an affiliate that bears no special commission and have no specific repayment date.

6. PREPAYMENTS AND OTHER RECEIVABLES

	2016	2015
Dividend receivable	48,254	-
Prepayments	1,821	12,800
Advances to employees	381	3,326
Trade receivables (note 6.1)	-	100,805
Advances to suppliers (note 6.2)	-	81,817
Insurance receivables	-	931
Other receivables	79	4,715
	<u>50,535</u>	<u>204,394</u>

6.1 Trade receivables pertain to amounts due from a single counterparty in respect of services rendered, that was collected in 2016.

6.2 Advances to suppliers mainly include advances made by NOMAC and its subsidiaries (note 26).

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7. INVESTMENTS (continued)

Below are the Group's available for sale investments, which are carried at cost as their fair values are not readily ascertainable:

	2016	2015
Kahromaa Company	3	3
Multiple Shares Company	10	10
	<hr/> 13 <hr/>	<hr/> 13 <hr/>

Arabian Company for Water and Power Projects and its Subsidiaries
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7. INVESTMENTS (CONTINUED)

The table below represents the gross summarised financial information of ultimate operational project companies held by the Group directly or through its associate and joint ventures set out above and in (note 28). The summarised financial information of an associate and joint ventures that are not material are not included here.

<i>As at and for the year ended 31 December</i>	<i>Group's effective holding</i>	<i>Group's</i>					<i>Equity</i>	<i>Revenue</i>	<i>Profit(loss)</i>
		<i>Current assets</i>	<i>Non-current assets</i>	<i>Current liabilities</i>	<i>Non-current liabilities</i>	<i>Hedge reserves</i>			
<i>2016</i>									
Rabigh Arabian Water & Electricity Company	37.00%	580,399	6,424,128	1,424,093	4,585,912	-	887,014	220,623	
Rabigh Electricity Company	40.00%	266,145	8,139,026	419,280	6,625,585	(318,861)	898,057	115,730	
Jubail Water and Power Company	20.00%	880,285	9,497,187	1,100,855	8,253,890	(748,514)	1,240,072	286,449	
Shuaibah Water & Electricity Company	30.00%	540,180	6,777,167	721,370	4,653,573	(410,923)	1,090,871	334,762	
Shuaibah Expansion Project Company	30.00%	53,759	711,717	76,173	566,679	(90,923)	151,213	25,671	
Shuqaiq Water and Electricity Company	40.00%	168,397	5,732,692	450,435	4,727,904	(764,054)	812,377	191,512	
Al Mourjan for Electricity Production Company	50.00%	12,456	4,785,544	1,540,379	3,461,402	(212,193)	8,412	(304)	
Hajr for Electricity Production Company	17.50%	501,460	9,706,912	640,536	7,073,242	(207,601)	938,695	60,331	
		3,003,081	51,774,373	6,373,121	39,948,187	(2,753,069)	6,018,299	1,234,774	
<i>As at and for the year ended 31 December 2015</i>									
Rabigh Arabian Water & Electricity Company	37.00%	463,911	6,275,916	1,198,518	4,759,025	-	616,342	131,534	
Rabigh Electricity Company	40.00%	214,720	8,257,306	479,910	6,515,125	(430,809)	972,865	177,635	
Jubail Water and Power Company	20.00%	916,218	9,897,957	1,263,755	9,082,952	(1,060,754)	1,258,737	248,793	
Shuaibah Water & Electricity Company	30.00%	469,560	7,036,055	703,302	5,189,025	(538,600)	1,011,137	207,997	
Shuaibah Expansion Project Company	30.00%	46,395	739,595	74,880	620,992	(113,460)	151,412	18,582	
Shuqaiq Water and Electricity Company	40.00%	157,362	5,836,665	311,932	5,181,543	(934,644)	801,707	159,980	
Al Mourjan for Electricity Production Company	50.00%	19,392	3,234,155	351,885	3,125,143	(232,226)	-	(309)	
Hajr for Electricity Production Company	17.50%	524,717	9,936,625	737,003	7,301,385	(207,408)	769,646	51,589	
		2,812,275	51,214,274	5,121,185	41,775,190	(3,517,901)	5,581,846	995,801	

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NOTES TO THE SPECIAL-PURPOSE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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8. PROPERTY, PLANT AND EQUIPMENT

The estimated useful lives of the assets for calculation of depreciation are as follows:

Plant, machinery and equipment

4-20 years

Barges

20 years

Onshore equipment

2-4 years

Furniture and fixtures

4-10 years

Office equipment and computers

4 years

Motor vehicles

4-5 years

Plant,
machinery and
equipment

Office
equipment and
computers

Motor vehicles

Capital work in-
progress

Total
31 December
2016

Total
31 December
2015

Cost:												
At beginning of the year	315,181											460,283
Additions / (transfers)	26,095			16,285	13,736	32,085	15,392		1,272			476,146
Classified as held for sale (note 26)	(30,354)			-	6,357	9,660	1,714		(1,080)			43,826
					(18,132)	(28,932)	(15,425)		-			(92,843)
At end of the year	310,922			16,285	1,961	12,813	1,681		192			427,129
Accumulated depreciation:												
At beginning of the year	207,245			16,285	9,588	17,473	11,660		-			264,934
Depreciation charge for the year	27,915			-	2,946	6,982	2,036		-			32,943
Relating to assets classified as held for sale (note 26)	(13,516)			-	(12,264)	(16,545)	(12,261)		-			-
At end of the year	221,644			16,285	270	7,910	1,435		-			297,877
Net book amounts:												
At 31 December 2016	89,278			-	1,691	4,903	246		192			139,973
At 31 December 2015	107,936			-	4,148	14,612	3,732		1,272			178,269

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9. ACCOUNTS PAYABLE AND ACCRUALS

	2016	2015
Accrued expenses and other current liabilities	7,704	134,694
Accounts payable and advances	458	258,722
Dividends payable to minority shareholders	-	7,500
Withholding taxes	-	3,260
	<u>8,162</u>	<u>404,176</u>

10. ZAKAT AND TAX

a) Zakat

Pursuant to International Finance Corporation's ("IFC") investment in the Parent Company on 17 September 2014, International Company for Water and Power Projects (the "Parent Company") is assessed as a mixed entity starting 2014 on the basis of its unconsolidated financial statements. As at 31 December 2016, the non-Saudi shareholder owns 5.07% (2015: 5.07%) of the Parent Company's shares and the remaining 94.93% (2015: 94.93%) is owned by Saudi shareholders.

The principal elements of the zakat base on a standalone basis attributable to Saudi shareholders are as follows:

	2016	2015
Shareholder's equity	1,986,971	1,676,634
Issue of capital during the year	-	-
Book value of long term assets	(2,330,028)	(1,922,543)
Long term liabilities	269,967	270,257
Zakatable/adjusted loss for the year	26,164	(27,792)
Zakat base	<u>(46,926)</u>	<u>(3,444)</u>

(b) Income tax

In 2015, the Parent Company received a ruling from the General Authority of Zakat and Tax ("GAZT") that IFC is exempt from tax in the Kingdom of Saudi Arabia. Accordingly, no income tax is due.

(c) Movements in provision

The movement in zakat and income tax provision for the year was as follows:

	2016				2015			
	Company	Subsidiary	Discontinued operations (note 26)	Total	Company	Subsidiary	Discontinued operations (note 26)	Total
At beginning of the year	-	3,218	7,705	10,923	900	2,737	3,792	7,429
Charge for the year	-	1,484	13,004	14,488	-	2,850	14,012	16,862
Reversal charged to equity	-	-	-	-	(610)	-	-	(610)
Payments	-	(2,920)	(15,516)	(18,436)	(290)	(2,369)	(10,099)	(12,758)
At end of the year	-	1,782	5,193	6,975	-	3,218	7,705	10,923

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10. ZAKAT AND TAX (CONTINUED)

(c) Movements in provision (continued)

Zakat related to the Company is charged to equity in the period pursuant to the change in ownership, while zakat and tax arising from subsidiaries is charged to the special-purpose consolidated statement of income.

(d) Status of assessments

Company

The Company has filed standalone zakat returns for the years prior to 31 December 2009 and zakat and tax returns for the years ended 31 December 2014 and 2015. The zakat assessments have been finalised until the year ended 31 December 2004; while assessments for years ended 31 December 2005 to 2008 are under process with the GAZT. Certain clarifications have been sought by the GAZT in respect of these years.

The Parent Company has filed consolidated zakat returns for the years ended 31 December 2009 to 31 December 2013. The GAZT has sought certain clarifications and the Parent Company has filed the response in respect of these returns. However, no final zakat assessment has been issued yet, in respect of the zakat returns filed for these years.

Subsidiaries

In 2011, Bowarege received an assessment with an additional zakat liability amounting to SR 1.0 million for 2008 for which Bowarege filed an appeal. In 2012, this assessment has been revised from SR 1.0 million to SR 0.2 million. Bowarege has filed its zakat and income tax returns for the years 2009 to 2015. The assessments have not been finalised for the said years

PAC, RAPCO, SNC, SAMAOMCO, Floating Ships and REC have submitted their zakat returns for all the years up to 2015. Assessments have been finalised for Imtiaz until 2011. SAMAOMCO has received additional assessment from GAZT for the years 2010 and 2011 for which SAMAOMCO filed an appeal. Assessments have not been finalised for these subsidiaries for the remaining years. AMWEC is yet to file its stand-alone tax and zakat returns for the years 2014 and 2015.

Discontinued operations

NOMAC has received assessments of SR 7.74 million for the years from 2008 until 2012 for which NOMAC filed an appeal. NOMAC has made a provision of SR 0.5 million in respect of these assessment as it expects a favorable outcome of its appeal. NOMAC has filed its zakat returns for the years 2013 to 2015. The assessments have not been finalised for the said years.

ROMCO has filed its zakat and income tax returns for all years up to the year 2015. ROMCO has received assessments of SR 2.67 million for the years 2010 to 2014 for which ROMCO filed an appeal and the outcome of this is pending as at year-end. The assessment has not been finalised for 2015.

RPC has submitted its zakat and income tax return to the GAZT for all years up to 2015 for which assessment has not yet been raised by GAZT.

NOMAC Oman has filed its provisional tax return for 2016. No assessment has been made by the tax authorities for the years 2011 to 2015.

NOMAC Energy and NOMAC Maroc Sarlau has filed its corporate tax return for all years up to 2016. No assessment has been made by the tax authorities for the years 2012 to 2015 and for the years 2013 to 2015 for NOMAC Energy and NOMAC Maroc Sarlau, respectively.

NOMAC Africa Holding (Pty) Ltd has filed its corporate tax returns for the years up to 2015. No assessment has been raised by the tax authorities. The corporate tax return for 2016 is to be filed before end 2017.

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11. DERIVATIVES AND CASH FLOW HEDGES

Derivatives often involve at their inception only a mutual exchange of promises with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the value of the rate underlying a derivative contract may have a significant impact on the income or equity of the Group.

As per the provisions of facility agreements, certain associate and joint ventures are required to hedge the interest rate risk on loans obtained by them. Certain associate and joint ventures also use foreign exchange forward contracts to manage some of their foreign currency exposures. These associates and joint ventures use derivative financial instruments, to hedge their exposure to mitigate the interest rate risk and/or foreign currency risk, which qualify to be designated as cash flow hedges. The Group's share of changes in cash flow hedge reserves is recognised in its equity.

The cash flow hedge reserve represents the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in the statement of income of the respective company when the hedged transaction impacts the income or loss. Under the terms of the facilities, the hedges are required to be held until the maturity date of the loans. Changes in fair value of the undesignated portion of the hedging instruments, if any, are recognised in the statement of income of the respective company.

Under the equity method of accounting for associate and joint ventures (collectively the "investees"), changes arising from the change in fair value to the extent of effective cash flow hedges in the investee's equity is recognised directly in the Group's equity.

Also, under shareholder agreements executed between the concerned parties, the Group holds put and call options on the equity ownership of another shareholder in an associate. These are measured as derivatives with changes in fair value recognised in the special-purpose consolidated statement of income.

The call option's notional amount of SR 550.54 million indicates the volume of transactions outstanding at the year-end and are neither indicative of market risk nor credit risk.

12. DEFERRED REVENUES AND OTHER LIABILITIES

The balance at 31 December 2015 includes SR 54.6 million of deferred revenues related to major overhaul and maintenance of plant in the future, with respect to contractual commitments under O&M contracts (note 5(a)). As of 31 December 2016, the balance has been transferred to "Liabilities associated with the assets held for sale."

The remaining balance represents fair value of purchased call option on counterparty's ownership interest in an associate in 2014, pursuant to shareholder agreements. Changes in fair value are recognised in the special-purpose consolidated statement of income. The option is valued using the Group's internal models. Fair values are determined through valuation techniques based on discounted cash flows and include a discount for lack of marketability and project specific factors representing the amounts that the Group has determined that market participants would take into account when pricing these instruments.

13. LONG TERM LOANS AND FACILITIES

	2016	2015
Long term loans	379,484	429,805
Less: Current portion of long term loans	(57,025)	(46,433)
	<u>322,459</u>	<u>383,372</u>

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NOTES TO THE SPECIAL-PURPOSE CONSOLIDATED FINANCIAL
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All amounts in Saudi Riyals thousands

13. LONG TERM LOANS AND FACILITIES (continued)

The table below shows the current and non-current portion of long term loans:

<i>Subsidiary</i>	<i>Notes</i>	<i>Non-current portion</i>		<i>Current portion</i>	
		2016	2015	2016	2015
Bowarege	(a)	-	36,226	36,226	29,223
Floating Ships	(b)	7,098	17,898	6,912	3,346
SNC	(c)	315,361	329,248	13,887	13,864
		<u>322,459</u>	<u>383,372</u>	<u>57,025</u>	<u>46,433</u>

- a) Bowarege has a loan from a commercial bank. The loan is secured against Bowarege's property, plant and equipment. The loan is repayable in 14 semi-annual instalments beginning from 20 March 2011 to 9 July 2017.
- b) Floating Ships has obtained a medium term loan facility from a local commercial bank which is repayable in nine equal semi-annual instalments of SR 3,600,000 beginning 31 December 2014. The facility is secured by corporate guarantees from partners of both Floating Ships and Bowarege.
- c) Shuaibah National Company for Water & Power ("SNC") has obtained a five-year medium term finance facility from a commercial bank with an interest of 2.8%. An amount equivalent to 30% of the facility is repayable in 16 semi-annual instalments beginning from 1 March 2012 and the remaining 70% is payable at maturity. The facility is secured by corporate guarantee provided by the Company. During the current year, the agreement was amended and the repayment period extended to 2020.

Financial charges recognised in the special-purpose consolidated statement of income for the year are comprised of:

	2016	2015
Special commission expense on long term loans and facilities	21,379	14,181
Commission on letters of guarantee	6,273	7,898
Other financial charges	1,290	1,378
	<u>28,942</u>	<u>23,457</u>

14. EQUITY

a) Capital

Capital is divided into 137,700,000 shares of SR 10 each (2015: 137,700,000 shares of SR 10 each).

During 2016, an amount of SR 490 million was classified as advance against share capital within equity as per the shareholders' resolution dated 30 November 2016 (corresponding to 1 Rabi Awal 1438H) (note 5(f)). The legal formalities for this increase in capital have been completed subsequent to the balance sheet date, in February 2017.

b) Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in equity. Voting rights related to treasury shares are nullified and no dividends are allocated to them.

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14. EQUITY (continued)

c) Statutory reserve

In accordance with the Saudi Arabian Regulations for Companies and the Company's By-laws, the Company must set aside 10% of the net profit after zakat and income tax in each year until it has built up a reserve equal to 50% of the capital. The statutory reserves is not available for distribution as dividends. The subsidiaries also hold statutory reserves which are not distributable in the ordinary course of business.

d) Cash flow hedge reserve

The cash flow hedge reserve represents the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in the special-purpose consolidated statement of income when the hedged transaction impacts the income or loss. Under the terms of the facilities, the hedges are required to be held until maturity. Changes in the fair value of the undesignated portion of the hedged item, if any, are recognised in the special-purpose consolidated statement of income. Further, under the equity method of accounting for associate and joint ventures (collectively the "investees"), changes arising from the change in fair value to the extent of effective cash flow hedges in the investee's equity is recognised directly in the Group's equity.

The cumulative movement in fair value of cash flow hedges in shareholders' equity is given below:

	<i>Associates and joint ventures (note 7)</i>	<i>Subsidiaries</i>	<i>Total</i>
Balance as at 31 December 2014	(1,225,686)	(6,264)	(1,231,950)
Net changes in fair value	180,270	1,929	182,199
	<hr/>	<hr/>	<hr/>
Balance as at 31 December 2015	(1,045,416)	(4,335)	(1,049,751)
Net changes in fair value	228,357	3,916	232,273
Reserve associated with discontinued operation (note 26)	-	419	419
	<hr/>	<hr/>	<hr/>
Balance as at 31 December 2016	(817,059)	-	(817,059)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

e) Currency translation reserve

On consolidation, the assets and liabilities of foreign operations are translated into Saudi Riyals at the rate of exchange prevailing at the reporting date and their statements of income or expense are translated at average exchange rates prevailing during the reporting period of related transactions. The exchange differences arising on translation for consolidation are recognised as currency translation reserve in equity. On disposal of a foreign operation, the component of currency translation reserve relating to that particular foreign operation is recognised in profit or loss.

Arabian Company for Water and Power Projects and its Subsidiaries
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NOTES TO THE SPECIAL-PURPOSE CONSOLIDATED FINANCIAL
STATEMENTS (continued)

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All amounts in Saudi Riyals thousands

14. EQUITY (CONTINUED)

f) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and benefit other stakeholders. Management's policy is to maintain a strong capital base to maintain creditor and market confidence and to sustain future development of the business.

Management is confident of maintaining the current level of profitability. The Company is not subject to significant externally imposed capital requirements.

g) Dividends

During the year, the Company paid dividend of SR 153.3 million to its shareholders (2015: Nil).

h) Earnings per share

The weighted average number of shares outstanding during the year (in thousands) (net of treasury shares) are as follows:

	2016	2015
Weighted average number of ordinary shares outstanding during the year	<u>133,607</u>	<u>133,607</u>

The basic and diluted earnings per share are calculated as follows:

	2016	2015
Income from main operations for the year	<u>421,454</u>	<u>354,362</u>
Net income for the year	<u>559,755</u>	<u>409,170</u>
Weighted average number of ordinary shares (see above)	<u>133,607</u>	<u>133,607</u>
Basic and diluted earnings per share :		
- attributable to income from main operations (SR)	<u>3.15</u>	<u>2.65</u>
- attributable to net income for the year (SR)	<u>4.19</u>	<u>3.06</u>

15. REVENUE

	2016	2015
Services rendered (note 5)	13,461	9,425
Sale of water (note 5)	<u>138,056</u>	<u>133,762</u>
	<u>151,517</u>	<u>143,187</u>

16. OPERATING COSTS

	2016	2015
Depreciation (note 8)	30,852	29,827
Direct costs	<u>9,867</u>	<u>11,811</u>
	<u>40,719</u>	<u>41,638</u>

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NOTES TO THE SPECIAL-PURPOSE CONSOLIDATED FINANCIAL
STATEMENTS (continued)

31 December 2016

All amounts in Saudi Riyals thousands

17. GENERAL AND ADMINISTRATION EXPENSES

	2016	2015
Salaries and other employee benefits	21,732	19,331
Insurance expense	4,146	4,333
Professional and legal fees	2,886	4,522
Depreciation (note 8)	362	357
Rent expense	924	807
Repairs and maintenance expense	151	1,358
Others	2,914	1,743
	<u>33,115</u>	<u>32,451</u>

18. OTHER INCOME

	2016	2015
Unrealised gain on derivatives	38,172	-
Special commission income (note 5)	12,818	5,988
Service fee (note 5)	4,688	4,688
Insurance claim	-	388
	<u>55,678</u>	<u>11,064</u>

19. CONTINGENCIES AND COMMITMENTS

Letters of guarantee

At 31 December 2016, the Group had outstanding contingent liabilities in the form of letters of guarantee amounting to SR 2.6 billion (2015: SR 2.7 billion).

20. OPERATING LEASE COMMITMENTS

Payments under operating leases recognised as an expense during the year for continuing operations amounted to SR 0.9 million (2015: SR 0.8 million). For discontinued operations, the payments under operating leases recognised as an expense during the year amounted to SR 5.2 million (2015: SR 1.3 million). Operating lease payments represent rentals payable by the Group for office rent, the commitment of which will expire within one year.

21. RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value and cash flow interest rate risks and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by senior management. The most important types of risks are summarised below.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is subject to fluctuations in foreign exchange rates in the normal course of its business. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's presentation currency) and the Group's net investments in foreign subsidiaries.

Arabian Company for Water and Power Projects and its Subsidiaries
(A Closed Joint Stock Company)

NOTES TO THE SPECIAL-PURPOSE CONSOLIDATED FINANCIAL
STATEMENTS (continued)

31 December 2016

All amounts in Saudi Riyals thousands

21. RISK MANAGEMENT (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and will cause the other party to incur a financial loss. The Group seeks to manage its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables.

At the balance sheet date, no significant concentrations of credit risk were identified by the management. With respect to credit risk arising from other financial assets of the Group, including cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market interest rates. The Group is subject to interest rate risk on its interest bearing assets and liabilities, including bank deposits, bank overdrafts and term loans. The Group hedges long term interest rate sensitivities through hedge strategies, including use of derivative financial instruments.

Liquidity risk

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

22. FAIR VALUES OF FINANCIAL INSTRUMENTS

The Group's financial assets consist of bank balance and cash, due from related parties, trade and other receivables, available for sale investments and derivatives. Its financial liabilities consist of term loans, due to related parties, payables, accruals and other liabilities and derivatives.

Derivatives are carried at their fair value as of the reporting date in the special-purpose consolidated balance sheet. The fair values of other financial assets and liabilities are not expected to be materially different from their carrying values.

Financial assets and liabilities are offset and net amounts reported in the special-purpose consolidated financial statements, when the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and liability simultaneously.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Arabian Company for Water and Power Projects and its Subsidiaries (A Closed Joint Stock Company)

NOTES TO THE SPECIAL-PURPOSE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 December 2016

All amounts in Saudi Riyals thousands

22. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability. Options are valued using the Group's internal models. Fair values are determined through valuation techniques based on discounted cash flows and include a discount for lack of marketability and project specific factors representing the amounts that the Group has determined that market participants would take into account when pricing these instruments.

23 SUBSEQUENT EVENTS

Subsequent to the year-end, the Group in accordance with the nature of its business, has entered into or is negotiating various agreements. Management does not expect these to have any material impact on the financial position and results as of the reporting date.

Subsequent to year-end, the Group through one of its subsidiaries has entered into an agreement with a third party, to sell a minority stake of Shuqaiq Water and Electricity Company through Shuqaiq International Water and Electricity Company. This transaction is subject to satisfying certain conditions precedents which are expected to be finalized in 2017.

24 APPROVAL OF THE SPECIAL-PURPOSE CONSOLIDATED FINANCIAL STATEMENTS

The special-purpose consolidated financial statements have been approved by the Board of Directors on 14 Rajab 1438H, corresponding to 11 April 2017.

25 SEGMENT INFORMATION

Consistent with the Group's internal reporting process, business segments have been approved by management in respect of the Group's activities. The Group's costing records are not detailed enough to produce a split of costs between segments and these are not accordingly bifurcated. The Group's operations are structured as follows:

Generation (Power & Water)

This segment comprises of power and water projects that are currently either operational or under construction. Typically, these projects have long term contracts with credit-worthy off-takers (refer note 28 for details of respective off-takers).

Development and operations and maintenance services (O&M Services)

This segment comprises the development of new projects and acquisition of existing business opportunities and operation and maintenance services to the Generation segment under long term contracts. The O&M services contracts have the same duration as that of the long term contracts of the project companies under the Generation segment. No business segments have been aggregated to form the above reportable business segments. The management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on individual segment's profit or loss.

Inter-segment revenues are eliminated on consolidation.

Arabian Company for Water and Power Projects and its Subsidiaries
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NOTES TO THE SPECIAL-PURPOSE CONSOLIDATED FINANCIAL
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25 SEGMENT INFORMATION (continued)

<i>31 December 2016</i>	<i>Generation (Power & Water)</i>	<i>Development and O&M Services</i>	<i>Total</i>
Revenue	<u>138,056</u>	<u>13,461</u>	<u>151,517</u>
Share in net income from an associate and joint ventures	<u>343,771</u>	<u>-</u>	<u>343,771</u>
General and administrative expenses			<u>(33,115)</u>
Income from main operations			<u>421,454</u>
Segment results			<u>559,755</u>
Property, plant and equipment	<u>139,107</u>	<u>866</u>	<u>139,973</u>
Total assets	<u>2,708,888</u>	<u>811,897</u>	<u>3,520,785</u>
Total liabilities	<u>421,441</u>	<u>799,779</u>	<u>1,221,220</u>
	<i>Generation (Power & Water)</i>	<i>Development and O&M Services</i>	<i>Total</i>
<i>31 December 2015</i>			
Revenue	<u>133,762</u>	<u>9,425</u>	<u>143,187</u>
Share in net income from an associate and joint ventures	<u>285,422</u>	<u>-</u>	<u>285,422</u>
General and administrative expenses			<u>(32,451)</u>
Income from main operations			<u>354,362</u>
Segment results			<u>409,170</u>
Property, plant and equipment	<u>154,005</u>	<u>24,264</u>	<u>178,269</u>
Total assets	<u>1,679,564</u>	<u>910,277</u>	<u>2,589,841</u>
Total liabilities	<u>584,467</u>	<u>845,043</u>	<u>1,429,510</u>

Account balances related to discontinued operations were part of the Development and O&M Services segment of the Group.

The Company is headquartered in the Kingdom of Saudi Arabia. All of the associates and joint ventures engaged in power generation and water desalination are also domiciled in the Kingdom of Saudi Arabia. Continuing operations and significant discontinued operations are based in the Kingdom of Saudi Arabia.

Arabian Company for Water and Power Projects and its Subsidiaries
(A Closed Joint Stock Company)

NOTES TO THE SPECIAL-PURPOSE CONSOLIDATED FINANCIAL
STATEMENTS (continued)

31 December 2016

All amounts in Saudi Riyals thousands

26 DISCONTINUED OPERATIONS

The Board of Directors has resolved to incorporate a new limited liability company to be established in the Kingdom of Saudi Arabia in 2017 that will acquire all of the outstanding shares of NOMAC from the Company pursuant to the resolution dated 27 October 2016. The new limited liability company will be wholly-owned by the ultimate parent company.

Accordingly, as a result of the above group restructuring, the balances and results of operations of NOMAC and its subsidiaries ("NOMAC Group") are classified as a disposal group in the Group's consolidated financial statements as at 31 December 2016.

NOMAC Group's balance sheet as at and for the year 31 December 2016 are as follows (after intragroup eliminations):

	2016 SR
ASSETS	
Bank balances and cash	192,238
Due from related parties (see note below)	509,478
Prepayments and other receivables	79,995
Inventories	156,351
Investments in associates and a joint venture (note 7)	48,408
Property, plant and equipment (note 8)	38,257
TOTAL ASSETS	1,024,727
LIABILITIES	
Accounts payable and accruals	485,263
Due to related parties (see note below)	83,725
Zakat and income tax payable (note 10)	5,193
Negative fair value of derivatives	419
Employees' terminal benefits	40,981
Deferred revenues and other liabilities	57,823
TOTAL LIABILITIES	673,404
NET ASSETS	351,323
Due from related parties	
	2016 SR
Hajr for Electricity Production Company	271,706
Rabigh Arabian Water & Electricity Company	78,654
ACWA Power Barka SAOG	59,750
Shuqaiq Water and Electricity Company	26,369
Shuaibah Water & Electricity Company	15,172
ACWA Power Ouarzazate S.A.	14,850
Shuaibah Expansion Project Company	11,784
Al Mourjan for Electricity Production Company	6,635
ACWA Power Solarfrica Bokpoort CSP Power Plant Proprietary Limited (RF)	3,798
Others	20,760
Total	509,478

Arabian Company for Water and Power Projects and its Subsidiaries
(A Closed Joint Stock Company)

NOTES TO THE SPECIAL-PURPOSE CONSOLIDATED FINANCIAL
STATEMENTS (continued)

31 December 2016

All amounts in Saudi Riyals thousands

26 DISCONTINUED OPERATIONS (continued)

Due to related parties

	2016 SR
International Company for Water and Power Projects	43,047
ACWA Guc Elektrik Isletme ve Yonetim Sanayi ve Ticaret A.S.	34,639
ACWA Power Global Holdings Limited	3,375
ACWA Power Barka Project TSA Co.	2,322
Others	342
Total	83,725

The results of NOMAC for the year ended 31 December 2016 and 2015 (after intragroup eliminations) are presented below:

	2016 SR	2015 SR
Revenue	1,062,145	1,014,645
Direct costs	(808,145)	(803,989)
GROSS PROFIT	254,000	210,656
EXPENSES		
General and administration expenses	(140,522)	(118,645)
INCOME FROM MAIN OPERATIONS	113,478	92,011
Share of net income in associates and a joint venture (note 7)	37,186	15,845
Other income	2,800	297
Financial charges	(2,108)	(4,075)
INCOME BEFORE MINORITY INTEREST AND ZAKAT AND TAX	151,356	104,078
Zakat and tax (note 10(c))	(13,004)	(14,012)
INCOME BEFORE MINORITY INTEREST	138,352	90,066
Minority interests	(9,755)	(8,604)
NET INCOME FOR THE YEAR	128,597	81,462
BASIC AND DILUTED EARNINGS PER SHARE (SR):		
Attributable to income from main operations	0.85	0.69
Attributable to net income	0.96	0.61

Arabian Company for Water and Power Projects and its Subsidiaries
(A Closed Joint Stock Company)

NOTES TO THE SPECIAL-PURPOSE CONSOLIDATED FINANCIAL
STATEMENTS (continued)

31 December 2016

All amounts in Saudi Riyals thousands

26 DISCONTINUED OPERATIONS (continued)

NOMAC Group cash flows are presented below:

	2016	2015
	SR	SR
Net cash flows from operating activities	97,292	125,420
Net cash flows used in investing activities	(9,273)	(1,526)
Net cash flows used in financing activities	(74,145)	(90,214)
Net foreign exchange difference	(543)	(671)
Net change in cash flows	13,331	33,009

27 COMPARATIVE FIGURES

Certain figures for the prior year have been reclassified to conform to the presentation in the current year.

Arabian Company for Water and Power Projects and its Subsidiaries
(A Closed Joint Stock Company)

NOTES TO THE SPECIAL-PURPOSE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 December 2016

All amounts in Saudi Riyals thousands

28 MAJOR ULTIMATE ASSOCIATES AND JOINT VENTURES

The Company and its direct subsidiaries have ownership interest in the following major operating companies in the proportion set out below:

Entity	Associate/ Joint venture*	Contracted capacity		Principal activities	Group's effective holding	
		Projects	ACWA Power's Share		2016	2015
<i>Rabigh Arabian Water & Electricity Company ("RAWEC")</i>	Associate	Power: 360MW Water: 134,000 m ³ /day Steam: 1,230 tons/hour	Power: 133MW Water: 49,580 m ³ /day Steam: 455 tons/hour	Incorporated in the Kingdom of Saudi Arabia as a captive unit engaged in supplying power, water and steam under a 25 year Water and Energy Conversion Agreement with Rabigh Refining and Petrochemical Company. Commercial operation commenced in June 2008.	37.0%	37.0%
<i>Jubail Water and Power Company ("JWAP")</i>	Joint venture	Power: 2,743MW Water: 800,000 m ³ /day	Power 549MW Water: 160,000m ³ /day	Incorporated in the Kingdom of Saudi Arabia and engaged in a 20 year PWPA with Marafiq Water and Power Supply Company. Commercial operations commenced in October 2010.	20.0%	20.0%
<i>Shuqaiq Water and Electricity Company ("SqWEC")</i>	Joint venture	Power: 850MW Water: 212,000m ³ /day	Power: 340MW Water 84,800m ³ /day	Incorporated in the Kingdom of Saudi Arabia and engaged in supplying power and water under a 20 year PWPA with Water and Electricity Company ("WEC"). Commercial operations commenced in August 2010.	40.0%	40.0%
<i>Shuaibah Water & Electricity Company ("SWEC")</i>	Joint venture	Power: 900MW Water 880,000m ³ /day	Power: 270MW Water 264,000m ³ /day	Incorporated in the Kingdom of Saudi Arabia and engaged in supplying power and desalinated water under a 20 year Power and Water Purchase Agreement ("PWPA") with WEC. Commercial operations commenced in January 2010.	30.0%	30.0%
<i>Shuaibah Expansion Project Company ("SEPCO")</i>	Joint venture	Water: 150,000m ³ /day	Water: 45,000m ³ /day	Incorporated in the Kingdom of Saudi Arabia and engaged in a 20 year Water Purchase Agreement ("WPA") with WEC. Commercial operations commenced in November 2009.	30.0%	30.0%
<i>Rabigh Electricity Company ("RABEC")</i>	Joint venture	Power: 1,204MW	Power: 482 MW	Incorporated in the Kingdom of Saudi Arabia and engaged in a 20 year Energy Conversion Agreement with Saudi Electricity Company ("SEC) from project completion. Commercial operation commenced in December 2012.	40.0%	40.0%

Arabian Company for Water and Power Projects and its Subsidiaries
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NOTES TO THE SPECIAL-PURPOSE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 December 2016

All amounts in Saudi Riyals thousands

28 MAJOR ULTIMATE ASSOCIATES AND JOINT VENTURES (continued)

Entity	Associate/ Joint venture*	Contracted capacity		Principal activities	Group's effective holding	
		Projects	ACWA Power's Share		2016	2015
Hajr for Electricity Production Company ("HEPCO")	Joint venture	Power: capacity of 3,927MW	Power:687MW	Incorporated in Kingdom of Saudi Arabia and engaged in a 20 year Power Purchase Agreement ("PPA") with SEC from project completion.	17.5%	17.5%
Al Mourjan for Electricity Production Company ("MEPCO")	Joint venture	Power: capacity of 2,050MW	Power: 1,025MW	Incorporated in the Kingdom of Saudi Arabia and engaged in a 20 year PPA with Saudi Electricity Company. Commercial operations are expected to commence by June 2017.	50.0%	50.0%

* All subsidiaries are consolidated in accordance with note 3. Associates and joint ventures are accounted for using equity method in accordance with the accounting policy as set out in note 4.

**Arabian Company for Water and Power
Projects and its Subsidiaries
(A Closed Joint Stock Company)**

**SPECIAL-PURPOSE CONSOLIDATED FINANCIAL
STATEMENTS**

31 DECEMBER 2015

**AUDITORS' REPORT TO THE SHAREHOLDERS OF
ARABIAN COMPANY FOR WATER AND POWER PROJECTS
(A Closed Joint Stock Company)**

Scope of audit:

We have audited the accompanying special-purpose consolidated balance sheet of Arabian Company for Water and Power Projects - A Saudi Joint Stock Company (the "Company") and its subsidiaries (the "Group") as at 31 December 2015 and the related special-purpose consolidated statements of income, cash flows and changes in equity for the year then ended. These special-purpose consolidated financial statements are the responsibility of the Group's management and have been prepared by them and submitted to us together with all the information and explanations that we required. Our responsibility is to express an opinion on these special-purpose consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the special-purpose consolidated financial statements.

Basis of preparation:

The accompanying special-purpose consolidated financial statements have been prepared in accordance with the basis of preparation set out in note 2.

Unqualified opinion:

In our opinion, the special-purpose consolidated financial statements taken as a whole present fairly, in all material respects, the special-purpose consolidated financial position of the Group as at 31 December 2015 and the results of its operations and its cash flows for the year then ended in accordance with the basis of preparation set out in note 2.

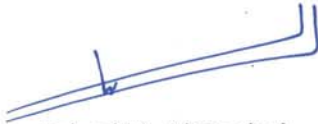
**AUDITORS' REPORT TO THE SHAREHOLDERS OF
ARABIAN COMPANY FOR WATER AND POWER PROJECTS (Continued)
(A Closed Joint Stock Company)**

Emphasis of matters:

Without qualifying our opinion, we draw attention to note 2 to the special-purpose consolidated financial statements. As stated therein, the Company was converted from a limited liability company to a closed joint stock company on 9 December 2014. These special purpose consolidated financial statements are prepared for the financial year ended 31 December 2015 without consideration of the change in legal status.

Separate statutory consolidated financial statements are also prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

For Ernst & Young



Fahad M. Al-Toaimi
Certified Public Accountant
Registration No. 354



Riyadh: 22 Muharram 1438H
(23 October 2016)

Arabian Company for Water and Power Projects and its Subsidiaries
(A Closed Joint Stock Company)

SPECIAL-PURPOSE CONSOLIDATED BALANCE SHEET

As at 31 December 2015

All amounts in Saudi Riyals thousands

	<i>Notes</i>	2015	2014
ASSETS			
CURRENT ASSETS			
Bank balances and cash		253,454	188,159
Due from related parties	6(i)	378,320	253,158
Prepayments and other receivables	5	202,631	114,039
Inventories		151,730	111,472
TOTAL CURRENT ASSETS		986,135	666,828
NON-CURRENT ASSETS			
Due from related parties	6(i)	-	237,868
Fair value of derivatives	11	35,197	25,875
Equity investments	7(b)	13	13
Advances for investment	6(ii)	-	849,345
Investments in an associate and joint ventures	7(a)	1,352,602	611,804
Property, plant and equipment	8	178,269	195,349
TOTAL NON-CURRENT ASSETS		1,566,081	1,920,254
TOTAL ASSETS		2,552,216	2,587,082
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Accounts payable and accruals	9	366,551	245,769
Current portion of long term loans and facilities	13	46,433	58,143
Due to related parties	6(i)	-	492,332
Zakat and income tax payable	10	10,923	7,429
TOTAL CURRENT LIABILITIES		423,907	803,673
NON-CURRENT LIABILITIES			
Due to related parties	6(i)	455,330	687,845
Long term loans and facilities	13	383,372	420,345
Employees' terminal benefits		33,151	18,395
Fair value of derivatives	11	1,718	2,327
Deferred tax liability		4,601	1,962
Deferred revenues and other liabilities	12	89,806	78,267
TOTAL NON-CURRENT LIABILITIES		967,978	1,209,141
TOTAL LIABILITIES		1,391,885	2,012,814
EQUITY			
Shareholders' equity			
Capital	14(a)	1,377,000	1,377,000
Treasury shares	14(b)	(40,935)	(40,935)
Statutory reserve	14(c)	87,865	45,357
Merger reserve	20	15,132	15,132
Translation reserve		(4,354)	-
Retained earnings		695,962	328,690
Total shareholders' equity before cash flow hedge reserve	11	2,130,670	1,725,244
Cash flow hedge reserve	14(d)	(1,049,751)	(1,231,950)
Total shareholders' equity		1,080,919	493,294
Minority interests		79,412	80,974
TOTAL EQUITY		1,160,331	574,268
TOTAL LIABILITIES AND EQUITY		2,552,216	2,587,082

The attached notes 1 to 29 form part of these special-purpose consolidated financial statements.

Arabian Company for Water and Power Projects and its Subsidiaries
(A Closed Joint Stock Company)

SPECIAL-PURPOSE CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2015

All amounts in Saudi Riyals thousands

	<i>Notes</i>	2015	2014
Revenue	15	1,201,112	717,892
Operating costs	16	(871,157)	(493,855)
GROSS PROFIT		329,955	224,037
Share in net income of an associate and joint ventures	7	300,525	364,348
General and administration expenses	17	(165,597)	(135,763)
Development expenses		(158)	(4,902)
INCOME FROM MAIN OPERATIONS		464,725	447,720
Other income	18	10,973	66,956
Financial charges	13	(27,532)	(27,387)
INCOME BEFORE ZAKAT, TAX AND MINORITY INTERESTS		448,166	487,289
Zakat and taxation	10	(18,981)	(6,926)
INCOME BEFORE MINORITY INTERESTS		429,185	480,363
Minority interests		(20,015)	(36,793)
NET INCOME FOR THE YEAR		409,170	443,570
BASIC AND DILUTED EARNINGS PER SHARE (SAR)	14(h)		
Attributable to income from main operations		3.37	15.40
Attributable to net income for the year		2.97	15.26

The attached notes 1 to 29 form part of these special-purpose consolidated financial statements.

Arabian Company for Water and Power Projects and its Subsidiaries
(A Closed Joint Stock Company)

SPECIAL-PURPOSE CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

All amounts in Saudi Riyals thousands

	Notes	2015	2014
OPERATING ACTIVITIES			
Income before zakat, tax and minority interests		448,166	487,289
<i>Adjustments for:</i>			
Share in net income of an associate and joint ventures	7	(300,525)	(364,348)
Depreciation	8	32,943	36,537
Provision for employees' terminal benefits		10,784	4,538
Provision for doubtful accounts		6,121	10,791
Fair value of cash flow hedges recycled to special-purpose consolidated statement of income		1,320	(3,937)
Development expenses		158	4,902
Insurance claims against assets written off		-	(35,043)
		198,967	140,729
<i>Changes in operating assets and liabilities:</i>			
Prepayments and other receivables		(94,871)	(58,789)
Inventories		(40,258)	(39,814)
Accounts payables and accruals		115,816	164,856
Due from related parties		(125,162)	183,580
Deferred revenues and other liabilities		11,290	19,154
Cash flows from operations		65,782	409,716
Zakat and income tax paid	10	(12,238)	(3,663)
Employees terminal benefits paid		(5,101)	-
Dividends from an associate and joint ventures, net	7	167,968	92,922
Net cash from operating activities		216,411	498,975
INVESTING ACTIVITIES			
Purchase of property, and equipment, net	8	(15,863)	(9,904)
Proceeds from associates and joint ventures, net	7(a)	61,014	104,230
Recovery of advances from investment	6(ii)	360,360	-
Net cash from investing activities		405,511	94,326
FINANCING ACTIVITIES			
Due to related parties, net		(486,979)	(35,807)
Repayment of long term loans and facilities, net		(48,683)	(50,038)
Dividends paid		(20,965)	(473,172)
Repayment of short term bank facilities		-	(15,000)
Net cash used in financing activities		(556,627)	(574,017)
INCREASE IN CASH AND CASH EQUIVALENTS		65,295	19,284
Cash from an acquired subsidiary	20	-	30,839
Cash and cash equivalents at beginning of the year		188,159	138,036
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		253,454	188,159
<u>Significant non-cash transactions:</u>			
Investment in joint ventures	6(ii)	(488,985)	-
Net change in fair value of cash flow hedges	7	182,199	252,874
Translation of foreign operations	14(e)	4,354	-
Advances for investment paid by the Parent Company	6(ii)	-	849,345
Conversion of loan due to Parent Company to share capital	14	-	685,545
Acquisition of own shares by subsidiaries	5(g)	-	(40,935)
Acquisition of minority share in a subsidiary	6(d)	-	(23,187)
Addition to investment in a joint venture	7	-	(6,249)

The attached notes 1 to 29 form part of these special-purpose consolidated financial statements.

Arabian Company for Water and Power Projects and its Subsidiaries
(A Closed Joint Stock Company)

SPECIAL-PURPOSE CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

All amounts in Saudi Riyals thousands

	Shareholders' equity							Minority interests	Total	
	Capital	Treasury shares	Statutory reserve	Merger reserve	Translation reserve	Retained earnings	Cash flow hedge reserve			Total
Balance at 31 December 2013	2,000	-	1,000	-	-	1,071,717	(979,076)	95,641	87,755	183,396
Conversion of loan due to a parent company (note 14(a))	685,545	-	-	-	-	-	-	685,545	-	685,545
Capitalisation of reserves (note 14(a))	689,455	-	-	-	-	(689,455)	-	-	-	-
Acquisition of entity under common control (note 20)	-	-	-	15,132	-	-	2,316	17,448	-	17,448
Shares acquired by subsidiaries (note 14(b))	-	(40,935)	-	-	-	-	-	(40,935)	-	(40,935)
Net income for the year	-	-	44,357	-	-	443,570	-	443,570	36,793	480,363
Transfer to statutory reserve	-	-	-	-	-	(44,357)	-	-	-	-
Net change in fair value of cash flow hedges (note 14(d))	-	-	-	-	-	-	(255,190)	(255,190)	-	(255,190)
Acquisition of minority interests (note 20)	-	-	-	-	-	(2,785)	-	(2,785)	(20,402)	(23,187)
Dividends (note 14(g))	-	-	-	-	-	(450,000)	-	(450,000)	(23,172)	(473,172)
Balance at 31 December 2014	1,377,000	(40,935)	45,357	15,132	-	328,690	(1,231,950)	493,294	80,974	574,268
Net income for the year	-	-	-	-	-	409,170	-	409,170	20,015	429,185
Transfer to statutory reserve	-	-	42,508	-	-	(42,508)	-	-	-	-
Adjustment for zakat and income tax (note 10)	-	-	-	-	-	610	-	610	-	610
Net change in fair value of cash flow hedges (note 14(d))	-	-	-	-	-	-	182,199	182,199	-	182,199
Currency translation reserve (note 14(e))	-	-	-	-	(4,354)	-	-	(4,354)	(612)	(4,966)
Dividends (note 14(g))	-	-	-	-	-	-	-	-	(20,965)	(20,965)
Balance at 31 December 2015	1,377,000	(40,935)	87,865	15,132	(4,354)	695,962	(1,049,751)	1,080,919	79,412	1,160,331

The attached notes 1 to 29 form part of these special-purpose consolidated financial statements.

Arabian Company for Water and Power Projects and its Subsidiaries (A Closed Joint Stock Company)

NOTES TO THE SPECIAL-PURPOSE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

1. ACTIVITIES

Arabian Company for Water and Power Projects (the “Company”) is a closed joint stock company registered in Riyadh, Kingdom of Saudi Arabia under commercial registration number 1010202563 dated 29 Shaban 1425H (corresponding to 14 October 2004).

The Company and its subsidiaries (collectively the “Group”) are engaged in ownership, operation and maintenance of electricity generation, transmission, distribution, water purification and sewerage plants. It is also licensed to engage in works on dams, works on generation, transmission and distribution of electricity, water and sewage plants.

These special-purpose consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The following are the direct subsidiaries of the Company:

<i>Subsidiary</i>	<i>Country of incorporation</i>	<i>Principal activities</i>	<i>Effective holding</i>	
			<i>2015</i>	<i>2014</i>
Aqua Marafiq Water and Electricity Company Limited (“AMWEC”)	British Virgin Islands	Carry on or undertake any business or activity, do any act or enter into any transaction with full rights, powers and privileges and has no limitations on the business that it may carry on.	100%	100%
Project Acquisition Company Limited (“PAC”)	Kingdom of Saudi Arabia	Construction, development, ownership, maintenance and operation contracting of electricity generation and desalination plants.	100%	100%
Rabigh Project Company Limited (“RAPCO”)	Kingdom of Saudi Arabia	Construction, development, ownership, maintenance and operation contracting of electricity generation and desalination plants.	100%	100%
Shuqaiq Arabian Water and Electricity Company (“SAWEC”)	Kingdom of Saudi Arabia	Ownership, maintenance and operation contracting of electricity generation, desalination plants and sewage plants.	95%	95%
Shuaibah National Company for Water and Power (“SNC”)	Kingdom of Saudi Arabia	Ownership, maintenance and operation contracting of electricity generation, desalination plants and sewage plants.	95%	95%
Saudi Malaysian Operations and Maintenance Services Company Limited (“SAMAOMCO”)	Kingdom of Saudi Arabia	Operation and maintenance of electric generation stations.	50%	50%
Alimtiiaz Operation and Maintenance Company Limited (“Imtiiaz”)	Kingdom of Saudi Arabia	Operation and maintenance of electric generation and water desalination stations.	50%	50%
Qurayyah Project Company (“QPC”)	Kingdom of Saudi Arabia	Construction of power generation plants, saline water and steam treatment plants and their maintenance.	100%	100%
Floating Ships Company for Water Projects Limited (“Floating Ships”)	Kingdom of Saudi Arabia	Construct, own, develop, operate and maintain water desalination plants erected on barges and ships and to carry out activities of production and sale of desalinated water.	64.85%	64.85%
First National Operation and Maintenance Company (“NOMAC”)	Kingdom of Saudi Arabia	Management, operation and maintenance of water and power projects and plants.	100%	100%
International Barges Company for Water Desalination (“BOWAREGE”)	Kingdom of Saudi Arabia	Construct, own, develop, operate and maintain water desalination plants erected on barges and ships and to carry out activities of production and sale of desalinated water.	64.85%	64.85%
Rabigh Expansion Company (“REC”)	Kingdom of Saudi Arabia	Establish and create, manage, operate and invest in industrial and service projects and construction.	100%	100%

Arabian Company for Water and Power Projects and its Subsidiaries (A Closed Joint Stock Company)

NOTES TO THE SPECIAL-PURPOSE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31 December 2015

2. BASIS OF PREPARATION

The Company was converted from a limited liability Company to a joint stock Company on 9 December 2014. As per the regulations of the Ministry of Commerce and Industry ("MOCI") in the Kingdom of Saudi Arabia, the Company's first financial year (after it became a joint stock company) commences from 9 December 2014 to 31 December of the following year (i.e. 31 December 2015). These special-purpose financial statements are prepared for the period from 1 January 2015 to 31 December 2015. The comparative information presented in these special-purpose consolidated financial statements includes the period prior to conversion as a joint stock company. Separate statutory financial statements in compliance with MOCI regulations are also prepared covering the period from 9 December 2014 to 31 December 2015.

These special-purpose consolidated financial statements are prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

3. BASIS OF CONSOLIDATION

These special-purpose consolidated financial statements comprise the assets, liabilities and the results of operations of the Group. Subsidiaries are entities which are controlled by the Group. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Call options are considered when determining whether the Group has obtained control. Once it is determined that the Group has control over another entity, the proportions of profit or loss and changes in equity allocated to the parent and non-controlling interests are based on present ownership interests. This assessment depends on the terms of the call option, and judgment is required.

The results of subsidiaries acquired or disposed of during the year are included in the special-purpose consolidated statement of income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

All intra-group transactions, balances, income and expenses are eliminated in full. Minority interests in the net assets of consolidated subsidiaries are identified separately from the Company's equity therein. Minority interests comprise of the amount of those interests at carrying value at the date of the original business acquisition and the minority's share of changes in equity since the date of the acquisition.

4. SIGNIFICANT ACCOUNTING POLICIES

These special-purpose consolidated financial statements have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. These special-purpose consolidated financial statements are presented in Saudi Riyals ("SR") which is the reporting currency of the Company.

The significant accounting policies used for the preparation of the special-purpose consolidated financial statements mentioned below are consistent with the accounting policies detailed in the special-purpose consolidated financial statements as at and for the year ended 31 December 2015.

Accounting convention

The special-purpose consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of derivative financial instruments (including written put options).

Cash and cash equivalents

For the purposes of the special-purpose consolidated cash flow statement, cash and cash equivalents consists of bank balances and cash on hand.

Arabian Company for Water and Power Projects and its Subsidiaries
(A Closed Joint Stock Company)

NOTES TO THE SPECIAL-PURPOSE CONSOLIDATED FINANCIAL
STATEMENTS (Continued)

31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts receivable

Accounts receivable are stated at original invoice amount less allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Accounts receivable, together with associated allowance are written-off when there is no realistic prospect of future recovery. A provision against doubtful debts is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Such provisions are charged to the special-purpose consolidated statement of income and reported under "General and administration expenses". When an account receivable is uncollectible, it is written-off against the provision for doubtful debts. Any subsequent recoveries of amounts previously written-off are credited against "General and administration expenses" in the special-purpose consolidated statement of income.

Deferred costs (Projects under development)

Costs incurred on projects under development, which are considered as feasible, are carried on the special-purpose consolidated balance sheet. If a project is no longer considered feasible, the accumulated costs relating to that project are charged to the special-purpose consolidated statement of income in the year in which the determination is made. The Group makes provision against these projects based on expected success rates. Development costs reimbursed by successful projects are recognised as a deduction from deferred costs in the special-purpose consolidated balance sheet. Proceeds received from successful projects in excess of development cost reimbursements are recognised during the year in the special-purpose consolidated statement of income.

Inventories

Inventories are stated at the lower of cost and net recognised value. Costs comprise purchase cost, and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net recognised value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Property, plant and equipment

Property, plant and equipment, except for capital work in progress, are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the special-purpose consolidated statement of income as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Capital work-in-progress represents all costs relating directly or indirectly to the projects in progress and will be accounted for under relevant category of property, plant and equipment.

The cost less estimated residual value of other property, plant and equipment is depreciated on a straight line basis over the estimated useful lives of the assets.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the special-purpose consolidated statement of income when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively.

Arabian Company for Water and Power Projects and its Subsidiaries (A Closed Joint Stock Company)

NOTES TO THE SPECIAL-PURPOSE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (continued)

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and the present value of cash flows expected from the assets.

Investments in an associate and joint ventures

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Joint ventures are those entities where the Group shares effective control with other shareholders of the investee company.

The Group's investments in its associate and joint ventures are accounted for using the equity method of accounting from the date that the significant influence or joint-control commence until the date that such influence or joint-control ceases. Under the equity method, the investment in associates and joint ventures are carried in the special-purpose consolidated balance sheet at cost, plus post-acquisition changes in the Group's share of net assets of the investee companies. The Group's special-purpose consolidated statement of income reflects the Group's share of the results of operations of the associates and joint ventures. Where there has been a change recognised directly in the equity of the associates and joint ventures, the Group recognises its share of such changes in its special-purpose consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint ventures ("upstream and downstream") are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of associates and joint ventures is shown on the face of the special-purpose consolidated statement of income and represents profit or loss of the associate or joint venture.

The financial statements of the associates or joint ventures are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associates or joint ventures. At each reporting date, the Group determines whether there is objective evidence that the investment in an associate or a joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognises the loss as 'Share in net income of an associate and joint ventures' in the special-purpose consolidated statement of income.

When the Group's share of losses exceeds its interest in associates or joint ventures, the Group's carrying amount is reduced to zero and recognition of further losses is discontinued, except to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of such investee companies.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in the special-purpose consolidated statement of income.

When the Group increases its ownership interest in an existing associate/ joint venture that remains an associate/ joint venture after that increase, the purchase price paid for the additional interest is added to the existing carrying amount of the associate/joint venture and the existing share in net assets of the associate or joint venture is not remeasured. The cost of additional investment is allocated between the share of the fair value of net assets and goodwill. Any excess of the additional share in fair value of net assets acquired over the purchase price is recognised as a gain in the special-purpose consolidated statement of income.

Appropriate adjustments are recognised in the Group's share of the associate's/joint venture's profit or loss after additional acquisition in order to reflect the Group's share in fair value of net assets at the acquisition date, arising from the additional acquisition.

Arabian Company for Water and Power Projects and its Subsidiaries
(A Closed Joint Stock Company)

NOTES TO THE SPECIAL-PURPOSE CONSOLIDATED FINANCIAL
STATEMENTS (Continued)

31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in ownership interest in subsidiaries

Changes in Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). In such circumstances the carrying amounts of the controlling and minority interests is adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the minority interests shall be adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the shareholders of the Company.

Impairment of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset, has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If such evidence exists, any impairment loss is recognised in the special-purpose consolidated statement of income. Impairment is determined as follows:

- (a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the special-purpose consolidated statement of income;
- (b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- (c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows (excluding future expected credit losses that have not yet been incurred) discounted at the original effective interest rate.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-current assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date.

Except for goodwill; when an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount to the extent the increased carrying amount does not exceed the carrying amount that would have been determined, had no impairment loss been recognised for the assets or cash-generating units in prior years. A reversal of an impairment loss is recognised in the special-purpose consolidated statement of income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the special-purpose consolidated balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Accounts payable and accruals

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

Provisions

Provisions are recognised when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be measured reliably.

Employees' terminal benefits

Provision is made for amounts payable under the Saudi Arabian labour law applicable to employees' accumulated periods of service at the balance sheet date. The liability is calculated as the current value of the vested benefits to which the employee is entitled, should the employee leave at the special-purpose consolidated balance sheet date.

Arabian Company for Water and Power Projects and its Subsidiaries
(A Closed Joint Stock Company)

NOTES TO THE SPECIAL-PURPOSE CONSOLIDATED FINANCIAL
STATEMENTS (Continued)

31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured for any changes in their fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from the changes in the fair value of derivatives are taken directly to the special-purpose consolidated statement of income, except for the effective portion of cash flow hedges, which is recognised in equity and later reclassified to profit or loss when the hedged item affects the special-purpose consolidated statement of income.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument previously recognised in equity is retained separately in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss previously recognised in equity is transferred to the special-purpose consolidated statement of income for the year.

Early adoption of IFRS 9: Financial Instruments

As part of risk management strategies, the Group uses derivative financial instruments to hedge foreign currency exposures and interest rate sensitivities. These derivative financial instruments qualify for hedge accounting. Since the accounting standards issued by the Saudi Organization for Certified Public Accountants (SOCPA) do not cover hedge accounting, the Group previously accounted for hedge strategies and derivative financial instruments in accordance with the requirements of International Accounting Standard 39 (IAS 39) Financial Instruments: Recognition and Measurement.

In July 2014, the International Accounting Standard Board (IASB) issued the final version of International Financial Reporting Standard 9 (IFRS 9) Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted.

The Group has elected to early adopt the hedge accounting requirements of IFRS 9 in 2015, as the Group believes that hedge accounting under IFRS 9 provides more useful information about risk management activities that use financial instruments, with the effect that financial reporting more accurately reflects how the Group manages risk exposures and the extent to which hedging strategies mitigate those risks.

The Group applied the requirements of hedge accounting under IFRS 9 prospectively. The early adoption of IFRS 9 did not impact the accounting policy of the Group on derivative financial instruments and hedge accounting. Thus, adoption of IFRS 9 did not impact the Group's special-purpose consolidated financial statements.

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NOTES TO THE SPECIAL-PURPOSE CONSOLIDATED FINANCIAL
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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue from supply of desalinated water and power is recognised upon delivery of desalinated water and power to the customer on an accrual basis. Capacity charge income (excluding receipts for services provided, such as insurance and maintenance) under Power and Water Purchase Agreement (“PWPA”) or Power Purchase Agreement (“PPA”) or Water Purchase Agreement (“WPA”) for each hour during which the plant is available for power generation and/or water desalination is recognised on a straight-line basis over the lease term or upon actual billing period as appropriate considering the terms of each PWPA or PPA or WPA. In case where straight line method is applied, excess revenue billed is deferred as a liability and reported in the special-purpose consolidated balance sheet as deferred revenue.

Revenues from rendering technical, operation and maintenance services are recognised when contracted services are performed. Revenue from development fees is recognised when charged.

Profit on fixed deposits is recognised as the profit accrues. Interest income is recognised as the interest accrued on an effective yield basis.

Dividend income is recognised when the right to receive the dividend is established.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement. Where an arrangement is determined to contain a lease, the arrangement is accounted for as either an operating or a finance lease. Arrangements which meet the criteria for operating leases are classified as such. Initial direct costs incurred in negotiating a lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Borrowing costs

Borrowing costs directly attributable to the construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognised in the special-purpose consolidated statement of income in the period in which they are incurred. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the financial charges eligible for capitalisation. Front end fees, debt acquisition and arrangement fees that relate to the origination of the long term loans are amortised over the period of the loans using the effective interest rate (“EIR”). The amortisation on the effective interest basis is capitalised as part of projects under construction up to the date of commencement of commercial production and subsequently is charged to the special-purpose consolidated statement of income.

Expenses

General and administration expenses include direct and indirect costs not specifically forming part of operating costs. Allocations between general and administration expenses and operating costs, when required, are made on a consistent basis.

Taxation (including zakat)

Zakat and taxation is provided in accordance with the Regulations of the General Authority for Zakat and Tax (“GAZT”) in the Kingdom of Saudi Arabia and on an accruals basis. Zakat and income tax related to the Company is charged to retained earnings while zakat and income tax related to its subsidiaries are charged to the special-purpose consolidated statement of income. Differences, if any, resulting from final assessments are adjusted in the year of their finalisation.

For subsidiaries outside the Kingdom of Saudi Arabia, provision for tax is computed in accordance with tax regulations of the respective countries.

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NOTES TO THE SPECIAL-PURPOSE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (including zakat) (continued)

Deferred income tax is provided for foreign subsidiaries, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on laws that have been enacted in the respective countries at the reporting date.

Deferred income tax assets are recognised for all deductible temporary differences and carry-forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profit will be available against which deductible temporary differences and carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Use of estimates

The preparation of the special-purpose consolidated financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the special-purpose consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Significant areas where management has used estimates, assumptions or exercised judgments are as follows:

Fair value of unquoted financial instruments

When the fair value of financial assets and financial liabilities recorded in the special-purpose consolidated balance sheet cannot be derived from active markets, the fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are mainly interest rate swaps, foreign exchange forward contracts and call options. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the foreign exchange spot and forward rates and interest rate curves.

Pursuant to certain shareholder agreements, the Group has written put options on minority interests in a subsidiary and on counterparty's ownership interest in an associate. The fair values of these put options (i.e. the net present value of their redemption amount on exercise) are derived from discounted projected cash flow analysis of the respective entities and the redemption amount determined pursuant to contractual agreements. The fair value measurements are performed on an annual basis.

Foreign currencies

Transactions in foreign currencies are recorded in Saudi Riyals at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the special-purpose consolidated balance sheet date. All differences are taken to the special-purpose consolidated statement of income. The gains or losses on foreign currency transactions are included in the special-purpose consolidated statement of income during the year.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

On consolidation, the assets and liabilities of foreign operations are translated into Saudi Riyals at the rate of exchange prevailing at the reporting date and their special-purpose income statements are translated at exchange rates prevailing at the dates of the transactions. Exchange differences arising on translation for consolidation, if material, are recognised as a separate component of the special-purpose statement of changes in shareholders' equity. On disposal of a foreign operation, the separate component of the shareholders' equity for exchange differences relating to that particular foreign operation is recognised in profit or loss.

Dividends

Final dividends are recognised as a liability at the time of their approval by the General Assembly. Special-purpose dividends are recorded as and when approved by the Board of Directors.

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment, which is subject to risks and rewards that are different from those of other segments.

5. PREPAYMENTS AND OTHER RECEIVABLES

	2015	2014
Trade receivables (see note below)	100,805	-
Advances to suppliers	81,817	78,331
Prepayments	12,800	9,123
Advances to employees	3,326	2,604
Insurance receivables	931	19,883
Other receivables	2,952	4,098
	202,631	114,039

Trade receivables represent amounts due from a single counterparty as at the balance sheet date in respect of services rendered. This has been subsequently received.

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6. RELATED PARTY TRANSACTIONS AND BALANCES

(i) The following receivable and payable balances arose as a result of transactions with related parties. Significant year end transactions and balances arising from transactions with related parties are as follows:

<i>Related Party</i>	<i>Relationship</i>	<i>Transaction/Balance</i>	
		2015	2014
<i>Special-purpose consolidated statement of income</i>			
Revenue	Joint ventures and affiliates	1,149,644	717,892
Special commission income (note 18)	Associate	6,288	3,537
Service fees income (note 18)	Associate and affiliates	4,297	4,688
Special commission expense	Shareholder	1,979	-
<i>Due from related parties</i>			
<i>Current :</i>			
Hajr for Electricity Production Company (a)	Joint venture	111,305	74,231
Rakaa and its affiliates (b)	Affiliates	95,601	48,435
Rabigh Arabian Water and Electricity Co. (a)	Associate	65,769	39,702
ACWA Power Barka SAOG (a)	Affiliate	35,848	21,668
Shuqaiq Water & Electricity Company (a)	Joint venture	21,700	22,485
Rabigh Electricity Company (a, c)	Joint venture	13,397	17,242
ACWA Power Ouarzazate Ltd. (d)	Affiliate	12,643	-
Shuaibah Expansion Project Company (a)	Joint venture	9,582	9,612
Shuaibah Water & Electricity Company (a)	Joint venture	7,894	13,526
ACWA Power Ouarzazate Ltd. 2 (d)	Affiliate	1,503	-
Al Mourjan for Electricity Production Company (a, c)	Joint venture	119	250
Other related parties	Affiliates	2,959	6,007
		378,320	253,158
<i>Non-current:</i>			
Rabigh Arabian Water and Electricity Co. (e)	Associate	-	236,856
Others	Affiliates	-	1,012
		-	237,868
<i>Due to related parties</i>			
<i>Current :</i>			
International Company for Water and Power Projects (f)	Parent company	-	480,972
Others	Affiliates	-	11,360
		-	492,332
<i>Non-current :</i>			
International Company for Water and Power Projects (f)	Parent company	409,648	631,303
Kahromaa Company (g)	Affiliate	40,925	40,935
Acwa Power Barka Project TSA	Affiliate	2,960	-
ACWA Power Global Holdings Ltd (note 21)	Affiliate	-	3,375
Others	Affiliate	1,797	12,232
		455,330	687,845

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NOTES TO THE SPECIAL-PURPOSE CONSOLIDATED FINANCIAL
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6. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

- (a) Due from project companies mainly include amounts due to NOMAC (and its subsidiaries) for O&M services provided to these companies under an O&M contract.
- (b) Significant portion of receivable represents invoices outstanding in relation to supply of desalinated water to Saline Water Conversion Corporation ("SWCC"), the ultimate customer, which are billed by Bowarege to Rakaa Saudi Power & Water Company Limited ("Rakaa Saudi"). There is a back to back arrangement between Raka Saudi and SWCC for the supply of desalinated water which was extended for an additional three year period starting 1 January 2014 to 31 December 2016. The balance also includes receivable from Rakaa International Services Company on account of bridge facility repayments made on its behalf by Floating Ships Company for Water Project Limited.
- (c) The receivables as of 31 December 2015 relate to fee from services rendered. Also, see note (a).
- (d) This represents construction and early mobilization management fees in 2015.
- (e) Due from Rabigh Arabian Water and Electricity Company ("RAWEC") as of 31 December 2014 represented shareholder loan advanced by the Group in respect of an offtake contract renegotiation. During the year, RAWEC has refinanced the borrowing and settled the balance.
- (f) The balance represents advances by the parent company to originally fund advances for investment (see (ii) below). These advances have no specific repayment dates and bear no special commission.
- (g) The balance represents amounts due to Kahromaa Company (a subsidiary of the parent company) with respect to the treasury shares acquired by the Group in 2014.

(ii) Advances for investment

Investments of SR 351 million as of 31 December 2014 in SGA Marafiq Holdings WLL ("SGAM" – a joint venture of the Group), were refinanced by SGAM in 2015. Accordingly, the balance of SR 351 million advanced to SGAM was repaid to the Group.

In addition, during 2015 advance for investment of SR 437 million to Qurayyah Investment Company ("QIC") and SR 52 million to Saudi Malaysian Water & Electricity Company ("SAMAWEC") (collectively - joint ventures of the Group) were converted to investment in equity capital of QIC and SAMAWEC, respectively, during the year (note 7).

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7. INVESTMENTS

Movement for 2015

a) Associate and joint ventures

	% of ownership	Domicile	Opening Balance	Addition (disposal)	Share in net income (loss)	Dividends received	Share in cash flow hedge reserve	Closing Balance
Rabigh Arabian Water and Electricity Company	37.00%	Saudi Arabia	348,787	-	45,536	-	-	394,323
SGA Marafiq Holdings WLL	33.33%	Bahrain	(104,327)	-	40,258	(61,792)	40,209	(85,652)
Shuqaiq International Water and Electricity Company	66.67%	Saudi Arabia	(239,827)	-	53,097	(53,970)	32,638	(208,062)
Saudi Malaysian Water and Electricity Company	50.00%	Saudi Arabia	387,367	52,145	67,418	(39,399)	41,597	509,128
Suez NOMAC O&M Company	40.00%	Bahrain	12,300	-	7,202	(6,392)	-	13,110
Jubail Operations Holding WLL	40.00%	Bahrain	12,321	-	7,204	(6,415)	-	13,110
Qurayyah Investment Company ¹	35.00%	Saudi Arabia	(13,092)	436,840	8,542	-	(7,476)	424,814
Rabigh Electricity Company ²	40.00%	Saudi Arabia	509,870	(66,000)	71,049	-	74,164	589,083
SunE NOMAC AD	50.00%	Bulgaria	898	487	697	-	-	2,082
Al Mourjan for Electricity Production Company	50.00%	Saudi Arabia	(110,374)	-	(478)	-	(862)	(111,714)
Upstream eliminations, net			(192,119)	4,499	-	-	-	(187,620)
			611,804	427,971	300,525	(167,968)	180,270	1,352,602
			1,837,490					2,398,018
			(1,225,686)					(1,045,416)
			611,804					1,352,602

b) Equity investments³

Kahromaa Company		Saudi Arabia	3	-	-	-	-	3
Multiple Shares Company		Saudi Arabia	10	-	-	-	-	10
			13	-	-	-	-	13

¹See note 24.

²During the year, the joint venture has returned a portion of the capital contribution by the Group.

³Investments in Kahromaa and Multiple Shares Company (affiliated companies) are carried at cost as fair values are not readily ascertainable.

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7. INVESTMENTS (CONTINUED)

Movement for 2014

a) Associate and joint ventures

	<i>% of ownership</i>	<i>Domicile</i>	<i>Opening balance</i>	<i>Addition (disposal)</i>	<i>Share in net income (loss)</i>	<i>Dividends received</i>	<i>Share in cash flow hedge reserve</i>	<i>Closing Balance</i>
Rabigh Arabian Water and Electricity Company	37.00%	Saudi Arabia	213,898	43,447	91,442	-	-	348,787
SGA Marafiq Holdings WLL	33.33%	Bahrain	(118,742)	-	36,115	(11,059)	(10,641)	(104,327)
Shuqaiq International Water and Electricity Company	66.67%	Saudi Arabia	(259,354)	6,249	36,590	-	(23,312)	(239,827)
Saudi Malaysian Water and Electricity Company	50.00%	Saudi Arabia	358,799	-	92,497	(65,250)	1,321	387,367
Suez NOMAC O&M Company	40.00%	Bahrain	14,725	-	5,881	(8,306)	-	12,300
Jubail Operations Holding WLL	40.00%	Bahrain	14,740	-	5,888	(8,307)	-	12,321
Qurayyah Investment Company	35.00%	Saudi Arabia	16,012	-	14,650	-	(43,754)	(13,092)
Rabigh Electricity Company	40.00%	Saudi Arabia	638,499	(153,600)	81,148	-	(56,177)	509,870
SunE NOMAC AD	50.00%	Bulgaria	408	-	490	-	-	898
Al Mourjan for Electricity Production Company	50.00%	Saudi Arabia	2,776	1,250	(353)	-	(114,047)	(110,374)
Upstream eliminations, net			(196,792)	4,673	-	-	-	(192,119)
			684,969	(97,981)	364,348	(92,922)	(246,610)	611,804
			1,664,045					1,837,490
			(979,076)					(1,225,686)
			684,969					611,804

This comprise of:

Investments in an associate and joint ventures
Share in cash flow hedge reserve of associate and joint ventures

b) Equity investments

Kahromaa Company	5.00%	Saudi Arabia	3	-	-	-	-	3
Multiple Shares Company	5.00%	Saudi Arabia	10	-	-	-	-	10
			13	-	-	-	-	13

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7. INVESTMENTS (CONTINUED)

The table below represents the gross summarised financial information of ultimate operational project companies held by the Group directly or through its associates and joint ventures set out above. The summarised financial information of an associate and joint venture that are not material are not included here.

<i>As at and for the year ended 31 December 2015</i>	<i>Group's effective holding</i>	<i>Group's</i>				<i>Equity</i>	<i>Revenue</i>	<i>Profit(loss)</i>
		<i>Current assets</i>	<i>Non-current assets</i>	<i>Current liabilities</i>	<i>Non-current liabilities</i>			
Rabigh Arabian Water and Electricity Company	37.00%	463,911	6,275,916	1,198,518	4,759,025	782,284	616,342	123,070
Rabigh Electricity Company	40.00%	214,720	8,257,306	479,910	6,515,125	1,907,800	972,865	177,623
Jubail Water and Power Company	20.00%	916,218	9,897,957	1,263,755	9,082,952	1,528,222	1,258,737	201,290
Shuaibah Water & Electricity Company	30.00%	469,560	7,036,055	703,302	5,189,025	2,151,888	1,011,137	230,382
Shuaibah Expansion Project Company	30.00%	46,395	739,595	74,880	620,992	203,578	151,412	22,301
Shuqaiq Water and Electricity Company	40.00%	157,362	5,836,665	311,932	5,181,543	1,435,196	801,707	132,742
Al Mourjan for Electricity Production Company	50.00%	19,392	3,234,155	351,885	3,125,143	8,745	-	(956)
Hajr for Electricity Production Company	17.50%	524,717	9,936,625	737,003	7,301,385	2,630,362	769,646	48,811
		<u>2,812,275</u>	<u>51,214,274</u>	<u>5,121,185</u>	<u>41,775,190</u>	<u>10,648,075</u>	<u>5,581,846</u>	<u>935,263</u>
<i>As at and for the year ended 31 December 2014</i>								
Rabigh Arabian Water and Electricity Company	37.00%	435,443	5,502,324	2,543,310	2,770,979	623,478	631,920	247,140
Rabigh Electricity Company	40.00%	222,225	8,465,163	493,905	6,911,293	1,898,410	1,014,414	202,870
Jubail Water and Power Company	20.00%	1,029,300	10,268,152	1,446,097	9,802,130	1,311,039	1,182,629	180,575
Shuaibah Water & Electricity Company	30.00%	450,902	7,237,328	685,640	5,622,306	2,044,038	1,081,282	310,896
Shuaibah Expansion Project Company	30.00%	44,557	741,918	73,155	638,222	202,267	149,542	8,295
Shuqaiq Water and Electricity Company	40.00%	168,823	5,994,265	325,524	5,464,070	1,386,692	784,225	91,475
Al Mourjan for Electricity Production Company	50.00%	25,792	1,384,809	66,671	1,565,329	9,104	-	(706)
Hajr for Electricity Production Company	17.50%	343,830	9,925,992	536,449	9,826,047	72,011	256,929	83,714
		<u>2,720,872</u>	<u>49,519,951</u>	<u>6,170,751</u>	<u>42,600,376</u>	<u>7,547,039</u>	<u>5,100,941</u>	<u>1,124,259</u>

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8. PROPERTY, PLANT AND EQUIPMENT

The estimated useful lives of the assets for calculation of depreciation are as follows:

Plant, machinery and equipment	Plant, machinery and equipment	Barges		Onshore equipment	Furniture and fixtures	Office equipment and computers	Motor vehicles	Capital work in-progress	Total	
		4-20 years	20 years	2-4 years	4-10 years	4 years	4-5 years	2015	2014	
Barges										
Onshore equipment										
Cost:										
At beginning of the year	307,234	82,195	16,285	13,713	26,744	14,112		-	460,283	414,839
Additions	7,947	-	-	23	5,341	1,280		1,272	15,863	45,444
At end of the year	315,181	82,195	16,285	13,736	32,085	15,392		1,272	476,146	460,283
Depreciation:										
At beginning of the year	185,394	31,590	16,285	7,149	14,775	9,741		-	264,934	228,397
Charge for the year	21,851	4,036	-	2,439	2,698	1,919		-	32,943	36,537
At end of the year	207,245	35,626	16,285	9,588	17,473	11,660		-	297,877	264,934
Net book amounts:										
At 31 December 2015	107,936	46,569	-	4,148	14,612	3,732		1,272	178,269	
At 31 December 2014	121,840	50,605	-	6,564	11,969	4,371		-		195,349

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9. ACCOUNTS PAYABLE AND ACCRUALS

	2015	2014
Accounts payable and advances	221,097	187,236
Accrued expenses and other current liabilities	134,694	52,870
Dividends payable	7,500	-
Withholding taxes	3,260	4,195
Commission on letters of guarantee and loans	-	1,468
	<u>366,551</u>	<u>245,769</u>

10. ZAKAT AND TAX

a) Zakat

Pursuant to International Finance Corporation's ("IFC") investment in the Parent Company on 17 September 2014, International Company for Water and Power Projects (the "Parent Company") is assessed as a mixed entity starting 2014 on the basis of its special-purpose consolidated financial statements. As at 31 December 2015, the non-Saudi shareholder owns 5.07% of the Parent Company's shares and the remaining 94.93% is owned by Saudi shareholders.

Prior to 2014, the Group was subject to a consolidated zakat assessment, wherein wholly-owned subsidiaries (either direct subsidiaries or subsidiaries of direct subsidiaries) were consolidated in the special-purpose consolidated financial statements of the Parent Company. Pursuant to the change in shareholding of the Parent Company, the Company is assessed on a standalone basis.

The principal elements of the zakat base on a standalone basis attributable to Saudi shareholders are as follows:

	2015	2014
Shareholder's equity	1,676,634	657,348
Issue of capital during the year	-	650,788
Book value of long term assets	(1,922,543)	(1,313,870)
Long term liabilities	270,257	-
Zakatable/adjusted loss for the year	(27,792)	(3,124)
Zakat base	<u>(3,444)</u>	<u>(8,858)</u>

b) Income tax

In 2015, the Parent Company received a ruling from the General Authority of Zakat and Income Tax ("GAZIT") that IFC is exempt from tax in the Kingdom of Saudi Arabia. Accordingly, no income tax is due.

c) Movements in provision

The movement in zakat and income tax provision for the year was as follows:

	<i>Company</i>		<i>Subsidiaries</i>		<i>Total</i>	
	2015	2014	2015	2014	2015	2014
At beginning of the year	900	900	6,529	5,228	7,429	6,128
Provision for the year	-	-	16,342	4,964	16,342	4,964
Reversal charged to equity	(610)	-	-	-	(610)	-
Payments	(290)	-	(11,948)	(3,663)	(12,238)	(3,663)
At end of the year	<u>-</u>	<u>900</u>	<u>10,923</u>	<u>6,529</u>	<u>10,923</u>	<u>7,429</u>

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10. ZAKAT AND TAX (CONTINUED)

c) Movements in provision (continued)

Zakat and tax recognised in the special-purpose consolidated statement of income includes SR 2.64 million (2014: 1.96 million) in relation to deferred tax liability in foreign subsidiaries of NOMAC during the year ended 31 December 2015.

Zakat related to the Company is charged to equity in the period pursuant to the change in ownership, while zakat and tax arising from subsidiaries is charged to the special-purpose consolidated statement of income.

d) Status of assessments

The Parent Company has filed consolidated zakat returns for the years ended 31 December 2009 to 31 December 2013. The GAZT has sought certain clarifications and the Parent Company has filed the response in respect of these returns. However, no final zakat assessment has been issued yet, in respect of the zakat returns filed for these years.

The Company has filed standalone zakat returns for the years prior to 31 December 2009 and zakat and tax returns for the years ended 31 December 2014 and 2015. The zakat assessments have been finalized until the year ended 31 December 2004; while assessments for years ended 31 December 2005 to 2008 are under process with the GAZT. Certain clarifications have been sought by the GAZT in respect of these years.

11. DERIVATIVES AND CASH FLOW HEDGES

Derivatives often involve at their inception only a mutual exchange of promises with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the value of the rate underlying a derivative contract may have a significant impact on the income or equity component of the Group.

As per the provisions of facility agreements, certain associate and joint ventures are required to hedge the interest rate risk on loans contracted. Certain associate and joint ventures also use foreign exchange forward contracts to manage some of their transaction exposures. These associates and joint ventures use derivative financial instruments, to hedge their exposure to mitigate the interest rate risk and/or foreign currency risk, which qualify to be designated as cash flow hedges. The Group's share of changes in cash flow hedge reserves is recognised in its equity.

The cash flow hedge reserve represents the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in the special-purpose consolidated statement of income of the respective company when the hedged transaction impacts the income or loss. Under the terms of the facilities, the hedges are required to be held until the maturity date of the loans. Changes in fair value of the undesignated portion of the hedging instruments, if any, are recognised in the special-purpose consolidated statement of income of the respective company.

Under the equity method of accounting for associate and joint ventures (collectively the "investees"), changes arising from the change in fair value to the extent of effective cash flow hedges in the investee's equity is recognised directly in the Company's equity, to the extent the Group has incurred legal or constructive obligations.

Also, under shareholder agreements executed between the concerned parties, the Group holds put and call options on the equity ownership of another shareholder in an associate. These are measured as derivatives with changes in fair value recognised in the consolidated statement of income.

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12. DEFERRED REVENUES AND OTHER LIABILITIES

This account mostly represents deferred revenues related to major overhaul and maintenance of plant in the future, with respect to contractual commitments under O&M contracts (note 6(a)). This will be recognised as revenue when the respective services will be rendered.

In addition, this also represents fair value of purchased call option on counterparty's ownership interest in an associate in 2014, pursuant to shareholder agreements. Changes in fair value are recognised in the special-purpose consolidated statement of income. The option is valued using the Company's internal models. Fair values are determined through valuation techniques based on discounted cash flows and include a discount for lack of marketability and project specific factors representing the amounts that the Company has determined that market participants would take into account when pricing these instruments.

13. LONG TERM LOANS AND FACILITIES

	2015	2014
Non-current portion	383,372	420,345
Current portion	46,433	58,143
Total	<u>429,805</u>	<u>478,488</u>

The table below shows the current and non-current portion of long term loans:

<i>Subsidiary</i>	<i>Note</i>	<i>Non-current portion</i>		<i>Current portion</i>	
		2015	2014	2015	2014
Bowarege	(a)	36,226	65,449	29,223	26,725
Floating Ships	(b)	17,898	22,099	3,346	6,343
SNC	(c)	329,248	332,797	13,864	25,075
		<u>383,372</u>	<u>420,345</u>	<u>46,433</u>	<u>58,143</u>

- a) Bowarege has a loan from a commercial bank.
- b) Floating Ships has obtained a long term facility from a local commercial bank. The facility is secured by corporate guarantees from partners of both Floating Ships and Bowarege.
- c) Shuaibah National Company for Water and Power ("SNC"), the Group's subsidiary, has obtained a five year medium term finance facility from a commercial bank. An amount equivalent to 30% of the facility is repayable in 10 equal semi-annual instalments beginning from 1 March 2012 and the remaining 70% is payable at maturity. The facility is secured by corporate guarantee provided by the Company.

Financial charges recognised in the special-purpose consolidated statement of income for the year are comprised of:

	2015	2014
Commission on long term loans and facilities	16,674	20,784
Commission on letters of guarantee	7,898	5,074
Other financial charges	2,960	1,529
	<u>27,532</u>	<u>27,387</u>

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14. EQUITY

a) Capital

Capital is divided into 137,700,000 shares of SR 10 each (2014: 137,700,000 shares of SR 10 each).

In October 2014, the Company issued 137.68 million shares to parent company and certain affiliates:

- in settlement of loan due to the parent company amounting to SR 685.5 million at a par value of SR 10 per share; and
- Capitalisation of retained earnings in the amount of SR 689.5 million at a par value of SR 10 per share.

The capital increase was executed pursuant to partner's resolution dated 15 October 2014 (corresponding to 21 Dhul Hijjah 1435H) and completion of legal formalities.

b) Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them.

c) Statutory reserve

In accordance with the Saudi Arabian Regulations for Companies, the Company must set aside 10% of the net profit after zakat and income tax in each year until it has built up a reserve equal to 50% of the capital. The statutory reserves is not available for distribution as dividends. The subsidiaries also hold statutory reserves which are not distributable in the ordinary course of business.

d) Cash flow hedge reserve

The cash flow hedge reserve represents the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in the special-purpose consolidated statement of income when the hedged transaction impacts the income or loss. Under the terms of the facilities, the hedges are required to be held until maturity. Changes in the fair value of the undesignated portion of the hedged item, if any, are recognised in the special-purpose consolidated statement of income. Further, under the equity method of accounting for associate and joint ventures (collectively the "investees"), changes arising from the change in fair value to the extent of effective cash flow hedges in the investee's equity is recognised directly in the Company's equity, to the extent the Group has incurred legal or constructive obligations.

The cumulative movement in fair value of cash flow hedges in shareholders' equity is given below:

	<i>Associates and joint ventures (note 7)</i>	<i>Subsidiaries</i>	<i>Total</i>
Balance as at 31 December 2013	(979,076)	-	(979,076)
Balance from acquisition of subsidiary (note 20)	-	2,316	2,316
Net changes in fair value	(246,610)	(8,580)	(255,190)
	<hr/>	<hr/>	<hr/>
Balance as at 31 December 2014	(1,225,686)	(6,264)	(1,231,950)
Net changes in fair value	180,270	1,929	182,199
	<hr/>	<hr/>	<hr/>
Balance as at 31 December 2015	(1,045,416)	(4,335)	(1,049,751)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

e) Currency translation reserve

On consolidation, the assets and liabilities of foreign operations are translated into Saudi Riyals at the rate of exchange prevailing at the reporting date and their statements of income or expense are translated at average exchange rates prevailing during the reporting period of related transactions. The exchange differences arising on translation for consolidation are recognised as currency translation reserve in equity. On disposal of a foreign operation, the component of currency translation reserve relating to that particular foreign operation is recognised in profit or loss.

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14. EQUITY (CONTINUED)

f) *Capital management*

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and benefit other stake holders. Management's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business.

Management is confident of maintaining the current level of profitability. The Company is not subject to significant externally imposed capital requirements.

g) *Dividends*

During the year, the Company did not declare any dividends (2014: SR 450 million).

h) *Earnings per share*

The weighted average number of shares outstanding during the year (in thousands) are as follows:

	2015	2014
Issued ordinary shares as at 1 January	137,700	20
Effect of increase in number of shares (time weighted) (note 14(a))	-	29,049
Weighted average number of ordinary shares	<u>137,700</u>	<u>29,069</u>

The basic and diluted earnings per share are calculated as follows:

	2015	2014
Income from main operations for the year	<u>464,725</u>	<u>447,720</u>
Net income for the year	<u>409,170</u>	<u>443,570</u>
Weighted average number of ordinary shares (a)*	<u>137,700</u>	<u>29,069</u>
Basic and diluted earnings per share :		
- attributable to income from main operations (SR)	<u>3.37</u>	<u>15.40</u>
- attributable to net income for the year (SR)	<u>2.97</u>	<u>15.26</u>

* The weighted average number of shares takes into account the weighted average effect of capital increase transactions during the year ended 31 December 2014.

15. REVENUE

	2015	2014
Services rendered	1,067,350	625,259
Sale of water	133,762	92,633
	<u>1,201,112</u>	<u>717,892</u>

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16. OPERATING COSTS

	2015	2014
Direct material costs	449,095	262,704
Staff cost	224,052	169,506
Depreciation	29,023	31,459
Other direct overheads	168,987	30,186
	<u>871,157</u>	<u>493,855</u>

17. GENERAL AND ADMINISTRATION EXPENSES

	2015	2014
Salaries and other employee benefits	72,229	61,786
Professional and legal fees	34,016	22,085
Travel	11,362	9,468
Office and kitchen supplies	7,210	6,062
Provision	6,121	10,791
Communication	5,930	5,304
Insurance	5,015	577
Utilities	4,958	6,472
Repairs and maintenance	4,395	2,219
Management fee expenses	4,232	-
Depreciation	3,920	5,078
Printing and stationaries	2,968	749
Rent	2,153	2,036
Others	1,088	3,136
	<u>165,597</u>	<u>135,763</u>

18. OTHER INCOME

	2015	2014
Special commission income (note 6)	6,288	3,537
Service fee (note 6)	4,297	4,688
Insurance claim	388	55,511
Others	-	3,220
	<u>10,973</u>	<u>66,956</u>

19. CONTINGENCIES AND COMMITMENTS

Letters of guarantee

At 31 December 2015, the Group had outstanding contingent liabilities in the form of letters of guarantee amounting to SR 2.7 billion (2014: SR 1.4 billion).

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20. BUSINESS ACQUISITION

Pursuant to a reorganization of the Group's business, effective 1 January 2014, the Company acquired 100% interest in the subsidiary "NOMAC Oman" from ACWA Power Global Holding Limited (the 'seller') for a total consideration of SR 3,375,000.

In respect of NOMAC Oman, the Company owns 99.92% shares and 0.08% is held by ACWA Power International Holding (JAFZA), which is 100% owned by the Ultimate Parent Company for the beneficial interest of the Company. NOMAC Oman is accordingly wholly consolidated in these financial statements.

The beneficial interests are evidenced by either instruments of transfer of shares, or by an agreement under the terms of which there is control over the transfer of shares. Accordingly, the above entity is considered to be a subsidiary and are included as such in the special-purpose consolidated financial statements, notwithstanding the absence of official registration in the countries concerned of the aforementioned instruments.

The seller is also a wholly owned subsidiary of the Ultimate Parent Company and accordingly the Company has chosen to account for the acquisition under the pooling of interest method. This resulted in recording of a merger and cash flow hedge reserve of SR 15.13 million and SR 2.32 million, respectively, in the special-purpose consolidated balance sheet.

As per the Group's accounting policy, the special-purpose consolidated statement of income reflects the results of the combining entity for the year from the date of acquisition i.e. 1 January 2015 to 31 December 2015.

The carrying value of net assets acquired on acquisition are as follows:

	<i>As at</i> <i>1 January 2014</i>
ASSETS	
Cash and cash equivalents	30,839
Trade and other receivables	16,961
Property and equipment	497
Fair value of derivatives	2,316
TOTAL ASSETS	<u>50,613</u>
LIABILITIES	
Trade and other payables	11,173
Employees' terminal benefits	1,535
Other liabilities	17,081
TOTAL LIABILITIES	<u>29,789</u>
NET ASSETS ACQUIRED	<u>20,824</u>

21. OPERATING LEASE COMMITMENTS

Payments under operating leases recognised as an expense during the year amounted to SR 2.1 million (2014: SR 2 million). Operating lease payments represent rentals payable by the Group for office rent, the commitment of which will expire within one year.

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22. RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value and cash flow interest rate risks and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by senior management. The most important types of risks are summarised below.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is subject to fluctuations in foreign exchange rates in the normal course of its business. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's presentation currency) and the Group's net investments in foreign subsidiaries

Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Group seeks to manage its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables.

At the balance sheet date, no significant concentrations of credit risk were identified by the management. With respect to credit risk arising from other financial assets of the Group, including cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market interest rates. The Group is subject to interest rate risk on its interest bearing assets and liabilities, including bank deposits, bank overdrafts and term loans. The Group hedges long term interest rate sensitivities through hedge strategies, including use of derivative financial instruments.

Liquidity risk

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

23. FAIR VALUES OF FINANCIAL INSTRUMENTS

The Group's financial assets consist of cash and bank balances, due from related parties, trade and other receivables, and fair value of derivatives. Its financial liabilities consist of term loans, due to related parties, payables and fair value of derivatives.

Derivatives are carried at their fair value as of the reporting date in the special-purpose consolidated balance sheet. The fair values of other financial assets and liabilities are not expected to be materially different from their carrying values.

Financial assets and liabilities are offset and net amounts reported in the special-purpose consolidated financial statements, when the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and liability simultaneously.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

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23. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

The fair value of an asset or a liability is measured using assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability. Options are valued using the Company's internal models. Fair values are determined through valuation techniques based on discounted cash flows and include a discount for lack of marketability and project specific factors representing the amounts that the Group has determined that market participants would take into account when pricing these instruments.

24. PROJECT STATUS OF HAJR

In September 2011, Hajr Electricity Production Company (one of the Group's ultimate associates) (the "Project Company" or "Plant") entered into a Power Purchase Agreement ("PPA") with Saudi Electricity Company ("SEC" or the "offtaker") for the sale of electricity generated by the Plant for a period of 20 years from the Project Commercial Operation Date ("PCOD") and which is extendable upon mutual agreement of the parties. As per the PPA, PCOD was scheduled on 30 June 2014, which has not been met due to certain delays. A request for extension by the Project Company was not accepted by the offtaker and both the Project Company and the offtaker have served notices of dispute on each other.

PCOD was subsequently deemed to be achieved by the Project Company on 16 March 2015; who has since been in discussions with the offtaker for acceptance of the PCOD.

The delay in PCOD has also triggered certain provisions of the PPA, finance and other project documents that could include cancellation of the facility and require payment on demand of the outstanding utilised amount. The Project Company requested a formal waiver letter from the lenders in this respect. However, the lenders have reserved their respective rights under the relevant provisions of the agreement. It is the Group's view, based on consideration of various factors, that there have been no events of default and the lenders are unlikely to demand outstanding amounts before the scheduled dates.

The Group has carried out an impairment review of the Project Company and has concluded that the Plant is not impaired. The Project Company is continuing efforts to resolve the PCOD acceptance and effect settlement of certain outstanding receivables from the offtaker in 2016.

25. SUBSEQUENT EVENTS

a) Agreements

Subsequent to the year end, the Group in accordance with the nature of its business, has entered into or is negotiating various agreements including share purchase agreements. The Company does not expect these to have any material impact on the financial position and results as of the reporting date.

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25 SUBSEQUENT EVENTS (CONTINUED)

b) Group restructuring

As set out in note 1, the Group owns 100% of the outstanding shares of First National Operation and Maintenance Company (“NOMAC”). Subsequent to 31 July 2016, the Group has proposed the below restructuring:

A new Company will be formed to be wholly owned by API, which will acquire the entire ownership of NOMAC from the Company at the carrying value of NOMAC’s net assets as of the date of acquisition. Further, the international subsidiaries of NOMAC will also be transferred to another Company ultimately owned by API. Consequently, the Company will no longer own NOMAC and its subsidiaries. Draft agreements (which are yet to be executed) are been formalised in respect of the proposed restructuring. Consequently, once the agreements are executed; NOMAC will no longer be consolidated in these financial statements. The major heads of financial statements impacted by NOMAC in these financial statements are as follows:

	<i>For the seven month period ended</i> 31 July 2016 <i>(Unaudited)</i>	<i>31 July 2015</i> <i>(Unaudited)</i>
Revenue – services rendered	609,889	601,265
Operating costs	(473,262)	(459,204)
General and administration expenses	(86,163)	(67,018)
	<i>As at</i> 31 July 2016 <i>(Unaudited)</i>	<i>31 July 2015</i> <i>(Unaudited)</i>
Total assets	986,989	734,177
Total liabilities	690,433	455,571

26 APPROVAL OF THE SPECIAL-PURPOSE CONSOLIDATED FINANCIAL STATEMENTS

The special-purpose consolidated financial statements have been approved by the Board of Directors on 22 Muharram 1438H, corresponding to 23 October 2016.

27 SEGMENT INFORMATION

Consistent with the Group’s internal reporting process, business segments have been approved by management in respect of the Group’s activities. The Group’s operations are structured as follows:

Generation (Power & Water)

This segment comprises of power and water projects that are currently either operational or under construction. Typically, these projects have long term contracts with credit-worthy off-takers (refer note 29 for details of respective off-takers).

Development and operations and maintenance services (O&M Services)

This segment comprises the development of new projects and acquisition of existing business opportunities and operation and maintenance services to the Generation segment under long term contracts.

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27 SEGMENT INFORMATION (CONTINUED)

Development and operations and maintenance services (O&M Services) (continued)

The O&M services contracts have the same duration as that of the long term contracts of the project companies under the Generation segment. No business segments have been aggregated to form the above reportable business segments. The management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on individual segment's profit or loss.

Inter-segment revenues are eliminated on consolidation.

	<i>Generation (Power & Water)</i>	<i>Development and O&M Services</i>	<i>Total</i>
<i>31 December 2015</i>			
Revenue	133,762	1,067,350	1,201,112
Share in net income from associates and joint ventures	300,525	-	300,525
General and administration expenses			(165,597)
Income from main operations			464,725
Segment results	347,770	61,400	409,170
Property, plant and equipment	154,005	24,264	178,269
Total assets	1,641,939	910,277	2,552,216
Total liabilities	546,842	845,043	1,391,885
	<i>Generation (Power & Water)</i>	<i>Development and O&M Services</i>	<i>Total</i>
<i>31 December 2014</i>			
Revenue	92,633	625,259	717,892
Share in net income from associates and joint ventures	364,348	-	364,348
General and administration expenses			(135,763)
Income from main operations			447,720
Segment results	430,069	13,501	443,570
Property, plant and equipment	173,454	21,895	195,349
Total assets	900,752	1,686,330	2,587,082
Total liabilities	111,107	1,901,707	2,012,814

The Company is headquartered in the Kingdom of Saudi Arabia. All of the associates and joint ventures engaged in power generation and water desalination are also domiciled in the Kingdom of Saudi Arabia.

28 COMPARATIVE FIGURES

Certain figures for the prior year have been reclassified to conform to the presentation in the current year.

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29 MAJOR ULTIMATE SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Company and its direct subsidiaries have ownership interest in the following major operating companies in the proportion set out below:

Entity	Subsidiary/ Associate/ Joint venture*	Contracted capacity		Principal activities	Group's effective holding	
		Project's	ACWA Power's Share		2015	2014
<i>Rabigh Arabian for Water and Electricity Company ("RAWEC")</i>	Associate	Power: 360MW Water: 134,000 m ³ /day Steam: 1,230 tons/hour (160MW under construction)	Power: 133MW Water: 49,580 m ³ /day Steam: 455 tons/hour (59MW under construction)	Incorporated in Kingdom of Saudi Arabia as a captive unit engaged in supplying power, water and steam under a 25 year Water and Energy Conversion Agreement with Rabigh Refining and Petrochemical Company. Commercial operation commenced in June 2008.	37.0%	37.0%
<i>Jubail Water and Power Company ("JWAP")</i>	Joint venture	Power: 2,743MW Water: 800,000 m ³ /day	Power 549MW Water: 160,000m ³ /day	Incorporated in Kingdom of Saudi Arabia and engaged in a 20 year PWPA with Marafiq Water and Power Supply Company. Commercial operations commenced in October 2010.	20.0%	20.0%
<i>Shuqaiq Water and Electricity Company ("SqWEC")</i>	Joint venture	Power: 850MW Water: 212,000m ³ /day	Power: 340MW Water 84,800m ³ /day	Incorporated in Kingdom of Saudi Arabia and engaged in supplying power and water under a 20 year PWPA with WEC. Commercial operations commenced in August 2010.	40.0%	40.0%
<i>Shuaibah Water and Electricity Company ("SWEC")</i>	Joint venture	Power: 900MW Water 880,000m ³ /day	Power: 270MW Water 264,000m ³ /day	Incorporated in Kingdom of Saudi Arabia and engaged in supplying power and desalinated water under a 20 year Power and Water Purchase Agreement ("PWPA") with Water and Electricity Company ("WEC"). Commercial operations commenced in January 2010.	30.0%	30.0%
<i>Shuaibah Expansion Project Company ("SEPCO")</i>	Joint venture	Water: 150,000m ³ /day	Water: 45,000m ³ /day	Incorporated in Kingdom of Saudi Arabia and engaged in a 20 year Water Purchase Agreement ("WPA") with WEC. Commercial operations commenced in November 2009.	30.0%	30.0%
<i>Rabigh Electricity Company ("RABEC")</i>	Joint venture	Power: 1,204MW	Power: 482 MW	Incorporated in Kingdom of Saudi Arabia and engaged in a 20 year Energy Conversion Agreement with Saudi Electricity Company ("SEC) from project completion. Commercial operation commenced in December 2012.	40.0%	40.0%

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29 MAJOR ULTIMATE SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (CONTINUED)

Entity	Subsidiary/ Associate/ Joint venture*	Contracted capacity		Principal activities	Group's effective holding	
		Project's	ACWA Power's Share		2015	2014
Hajr for Electricity Production Company ("HEPCO")	Joint venture	Power: capacity of 3,927MW	Power:687MW	Incorporated in Kingdom of Saudi Arabia and engaged in a 20 year Power Purchase Agreement ("PPA") with SEC from project completion. Commercial operations commenced in December 2014.	17.5%	17.5%
Al Mourjan for Electricity Production Company ("MEPCO")	Joint venture	Power: capacity of 2,050MW	Power: 1,025MW	Incorporated in Kingdom of Saudi Arabia and engaged in a 20 year PPA with Saudi Electricity Company. Commercial operations are expected to commence by June 2017.	50.0%	50.0%

* All subsidiaries are consolidated in accordance with note 3. Associates and joint ventures are accounted for using equity method in accordance with the accounting policy as set out in note 4.

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STATEMENTS**

31 DECEMBER 2014



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**AUDITORS' REPORT TO THE SHAREHOLDERS OF
ARABIAN COMPANY FOR WATER AND POWER PROJECTS
(A Saudi Joint Stock Company)**

Scope of audit:

We have audited the accompanying special-purpose consolidated balance sheet of Arabian Company for Water and Power Projects - A Saudi Joint Stock Company (the "Company") and its subsidiaries (the "Group") as at 31 December 2014 and the related special-purpose consolidated statements of income, cash flows and changes in equity for the year then ended. These special-purpose consolidated financial statements are the responsibility of the Group's management and have been prepared by them and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these special-purpose consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the special-purpose consolidated financial statements.

Basis of preparation:

The accompanying special-purpose consolidated financial statements have been prepared in accordance with the basis of preparation set out in note 2.

Unqualified opinion:

In our opinion, the special-purpose consolidated financial statements taken as a whole present fairly, in all material respects, the special-purpose consolidated financial position of the Group as at 31 December 2014 and the results of its operations and its cash flows for the year then ended in accordance with the basis of preparation set out in note 2.

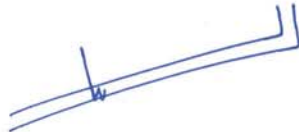
**AUDITORS' REPORT TO THE SHAREHOLDERS OF
ARABIAN COMPANY FOR WATER AND POWER PROJECTS (Continued)
(A Saudi Joint Stock Company)**

Emphasis of matters:

Without qualifying our opinion, we draw attention to note 2 to the special-purpose consolidated financial statements. As stated therein, the Company was converted from a limited liability company to a closed joint stock company on 9 December 2014. These special purpose consolidated financial statements are prepared for the financial year ended 31 December 2014 without consideration of the change in legal status.

Separate statutory consolidated financial statements are also prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

For Ernst & Young



Fahad M. Al-Toaimi
Certified Public Accountant
Registration No. 354



Riyadh: 22 Muharram 1438H
(23 October 2016)

Arabian Company for Water and Power Projects and its Subsidiaries
(A Saudi Joint Stock Company)

SPECIAL-PURPOSE CONSOLIDATED BALANCE SHEET

As at 31 December 2014

All amounts in Saudi Riyals thousands

	Note	2014	2013
ASSETS			
CURRENT ASSETS			
Bank balances and cash		188,159	138,036
Due from related parties	5	253,158	440,919
Accounts receivable, prepayments and other receivables	6	114,039	48,781
Inventories		111,472	72,678
TOTAL CURRENT ASSETS		666,828	700,414
NON-CURRENT ASSETS			
Investments in associates and joint ventures	7	611,804	684,969
Property, plant and equipment	8	195,349	186,442
Due from related parties	5	237,868	11,600
Equity investments	7(b)	13	13
Fair value of derivatives	11	25,875	-
Advances for investment	5 (ii)	849,345	6,249
TOTAL NON-CURRENT ASSETS		1,920,254	889,273
TOTAL ASSETS		2,587,082	1,589,687
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Accounts payable and accruals	9	245,769	69,740
Short-term facilities	13	-	15,000
Current portion of long term loans and facilities	14	58,143	67,732
Due to related parties	5	492,332	27,418
Zakat and income tax payable	10	7,429	6,128
TOTAL CURRENT LIABILITIES		803,673	186,018
NON-CURRENT LIABILITIES			
Due to related parties	5	687,845	731,000
Long term loans and facilities	14	420,345	460,794
Fair value of derivatives	11	2,327	-
Employees' terminal benefits		18,395	12,322
Deferred tax liability		1,962	-
Other liabilities	12	78,267	16,157
TOTAL NON-CURRENT LIABILITIES		1,209,141	1,220,273
TOTAL LIABILITIES		2,012,814	1,406,291

The attached notes 1 to 30 form part of these special-purpose consolidated financial statements.

Arabian Company for Water and Power Projects and its Subsidiaries
(A Saudi Joint Stock Company)

SPECIAL-PURPOSE CONSOLIDATED BALANCE SHEET (Continued)

As at 31 December 2014

All amounts in Saudi Riyals thousands

	<i>Note</i>	2014	2013
EQUITY			
Shareholders' equity			
Capital	15(a)	1,377,000	2,000
Treasury shares	15(b)	(40,935)	-
Statutory reserve	15(c)	45,357	1,000
Merger reserve	21	15,132	-
Retained earnings		328,690	1,071,717
Total shareholders' equity before cash flow hedge reserve		1,725,244	1,074,717
Cash flow hedge reserve	11,15	(1,231,950)	(979,076)
Total shareholders' equity		493,294	95,641
Minority interests		80,974	87,755
TOTAL EQUITY		574,268	183,396
TOTAL LIABILITIES AND EQUITY		2,587,082	1,589,687

The attached notes 1 to 30 form part of these special-purpose consolidated financial statements.

Arabian Company for Water and Power Projects and its Subsidiaries
(A Saudi Joint Stock Company)

SPECIAL-PURPOSE CONSOLIDATED STATEMENT OF INCOME

Year ended 31 December 2014

All amounts in Saudi Riyals thousands

	<i>Note</i>	2014	2013
Revenue	16	717,892	692,245
Operating costs	17	(493,855)	(339,659)
GROSS PROFIT		224,037	352,586
Share in net income of associates and joint ventures	7	364,348	190,230
Development expenses	6	(4,902)	(238)
General and administrative expenses	18	(135,763)	(38,515)
INCOME FROM MAIN OPERATIONS		447,720	504,063
Write-off of property, plant and equipment		-	(15,927)
Other income	19	66,956	30,858
Financial charges	14	(27,387)	(33,194)
INCOME BEFORE ZAKAT, TAX AND MINORITY INTERESTS		487,289	485,800
Zakat and tax	10	(6,926)	(5,151)
INCOME BEFORE MINORITY INTERESTS		480,363	480,649
Minority interests		(36,793)	(40,541)
NET INCOME FOR THE YEAR		443,570	440,108
BASIC AND DILUTED EARNINGS PER SHARE (SAR)	15(g)		
Attributable to income from main operations		15.40	25,203.15
Attributable to net income for the year		15.26	22,005.40

The attached notes 1 to 30 form part of these special-purpose consolidated financial statements.

Arabian Company for Water and Power Projects and its Subsidiaries
(A Saudi Joint Stock Company)

SPECIAL-PURPOSE CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

All amounts in Saudi Riyals thousands

	Note	2014	2013
OPERATING ACTIVITIES			
Income before zakat and tax and minority interests		487,289	485,800
Adjustments for:			
Depreciation	8	36,537	46,440
Provision and impairments		10,791	2,981
Provision for employees' terminal benefits, net		4,538	2,250
Share in net income of associates and joint ventures	7	(364,348)	(190,230)
Development expenses	6	4,902	238
(Insurance claims against assets written off) write off of plant and equipment		(35,043)	15,927
Fair value of cash flows hedges recycled to consolidated statement of income		(3,937)	-
<i>Operating cash flows before working capital changes</i>		140,729	363,406
Changes in operating assets and liabilities:			
Accounts receivable, prepayments and other receivables		(58,789)	(13,195)
Inventories		(39,814)	(9,599)
Accounts payables and accruals		164,856	5,309
Due from related parties		183,580	(275,762)
Other liabilities		19,154	-
Cash flows from operations		409,716	70,159
Zakat and tax paid	10	(3,663)	(3,747)
Dividends from associates and joint ventures, net	7	92,922	138,797
Net cash from operating activities		498,975	205,209
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	8	(9,904)	(32,913)
Advances for investment		-	(6,249)
Proceeds from associates and joint ventures, net	7	104,230	112,028
Maturity of short-term deposit with original maturity of more than three months, net		-	7,500
Net cash from investing activities		94,326	80,366
FINANCING ACTIVITIES			
(Repayment)/proceeds from short term bank facilities		(15,000)	15,000
Due to related parties, net		(35,807)	(26,336)
Repayment of long term loans and facilities, net		(50,038)	(76,102)
Dividends paid		(473,172)	(135,342)
Minority interests		-	(6,626)
Net cash used in financing activities		(574,017)	(229,406)
INCREASE IN CASH AND CASH EQUIVALENTS		19,284	56,169
Cash acquired from acquisition of a subsidiary	23	30,839	-
Cash and cash equivalents at beginning of the year		138,036	81,867
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		188,159	138,036

The attached notes 1 to 30 form part of these special-purpose consolidated financial statements.

Arabian Company for Water and Power Projects and its Subsidiaries
(A Saudi Joint Stock Company)

SPECIAL-PURPOSE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

Year ended 31 December 2014

All amounts in Saudi Riyals thousands

	Note	2014	2013
<i>Non-cash transactions:</i>			
Advances for investment paid by the parent company		849,345	-
Conversion of loan due to partner to share capital	15	685,545	-
Net change in fair value of cash flow hedges	7	252,874	682,645
Acquisition of own shares by subsidiaries	5	(40,935)	-
Acquisition of minority share in a subsidiary	5	(23,187)	-
Additions to investments in joint ventures	7	(6,249)	-
Increased investment in a joint venture through assumption of loan due to parent company	5	-	731,000
		<u> </u>	<u> </u>

The attached notes 1 to 30 form part of these special-purpose consolidated financial statements.

Arabian Company for Water and Power Projects and its Subsidiaries
(A Saudi Joint Stock Company)

SPECIAL-PURPOSE CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

All amounts in Saudi Riyals thousands

	Partners equity							Total
	Capital	Treasury shares	Statutory reserve	Merger reserve	Retained earnings	Cash flow hedge reserve	Total	
Balance at 31 December 2012	2,000	-	1,000	-	756,609	(1,661,721)	(902,112)	(837,930)
Net income for the year	-	-	-	-	440,108	-	440,108	480,649
Net change in fair value of cash flow hedges	-	-	-	-	-	682,645	682,645	682,645
Change in minority interests	-	-	-	-	-	-	-	(6,626)
Dividends (note 15(e))	-	-	-	-	(125,000)	-	(125,000)	(135,342)
Balance at 31 December 2013	2,000	-	1,000	-	1,071,717	(979,076)	95,641	183,396
Conversion of loan due to a parent company (note 15(a))	685,545	-	-	-	-	-	685,545	685,545
Capitalisation of reserves (note 15(a))	689,455	-	-	-	(689,455)	-	-	-
Acquisition of entity under common control (note 23)	-	-	-	15,132	-	2,316	17,448	17,448
Shares acquired by subsidiaries (note 15(b))	-	(40,935)	-	-	-	-	(40,935)	(40,935)
Net income for the year	-	-	-	-	443,570	-	443,570	480,363
Transfer to statutory reserve	-	-	44,357	-	(44,357)	-	-	-
Net change in fair value of cash flow hedges (note 15(d))	-	-	-	-	-	(255,190)	(255,190)	(255,190)
Acquisition of minority interests (note 5(d))	-	-	-	-	(2,785)	-	(2,785)	(23,187)
Dividends (note 15(e))	-	-	-	-	(450,000)	-	(450,000)	(473,172)
Balance at 31 December 2014	1,377,000	(40,935)	45,357	15,132	328,690	(1,231,950)	493,294	574,268

The attached notes 1 to 30 form part of these special-purpose consolidated financial statements.

Arabian Company for Water and Power Projects and its Subsidiaries (A Saudi Joint Stock Company)

NOTES TO THE SPECIAL-PURPOSE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

1. ACTIVITIES

Arabian Company for Water and Power Projects (the “Company”) is a limited liability company registered in Riyadh, Kingdom of Saudi Arabia under commercial registration number 1010202563 dated 29 Shaban 1425H (corresponding to 14 October 2004). The Company was converted to a Closed Joint Stock Company (“JSC”) pursuant to Ministerial resolution number 339/Q dated 17 Safar 1436H (corresponding to 9 December 2014) from a limited liability company.

The Company and its subsidiaries (collectively the “Group”) are engaged in ownership, operation and maintenance of electricity generation, transmission, distribution, water purification and sewerage plants. It is also licensed to engage in works on dams, works on generation, transmission and distribution of electricity, water and sewage plants.

These special-purpose consolidated financial statements comprise the financial statements of the Company and its following direct subsidiaries:

<i>Subsidiary</i>	<i>Country of incorporation</i>	<i>Principal activities</i>	<i>Effective holding</i>	
			<i>2014</i>	<i>2013</i>
Aqua Marafiq Water and Electricity Company Limited (“AMWEC”)	British Virgin Islands	Carry on or undertake any business or activity, do any act or enter into any transaction with full rights, powers and privileges and has no limitations on the business that it may carry on.	100%	100%
Project Acquisition Company Limited (“PAC”)	Kingdom of Saudi Arabia	Construction, development, ownership, maintenance and operation contracting of electricity generation and desalination plants.	100%	100%
Rabigh Project Company Limited (“RAPCO”)	Kingdom of Saudi Arabia	Construction, development, ownership, maintenance and operation contracting of electricity generation and desalination plants.	100%	100%
Shuqaiq Arabian Water and Electricity Company (“SAWEC”)	Kingdom of Saudi Arabia	Ownership, maintenance and operation contracting of electricity generation, desalination plants and sewage plants.	95%	95%
Shuaibah National Company for Water and Power (“SNC”)	Kingdom of Saudi Arabia	Ownership, maintenance and operation contracting of electricity generation, desalination plants and sewage plants.	95%	95%
Saudi Malaysian Operations and Maintenance Services Company Limited (“SAMAOMCO”)	Kingdom of Saudi Arabia	Operation and maintenance of electric generation stations.	50%	50%
Alimtia Operation and Maintenance Company Limited (“Imtia”)	Kingdom of Saudi Arabia	Operation and maintenance of electric generation and water desalination stations.	50%	50%
Qurayyah Project Company (“QPC”)	Kingdom of Saudi Arabia	Construction of power generation plants, saline water and steam treatment plants and their maintenance.	100%	100%
Floating Ships Company for Water Projects Limited (“Floating Ships”)	Kingdom of Saudi Arabia	Construct, own, develop, operate and maintain water desalination plants erected on barges and ships and to carry out activities of production and sale of desalinated water.	64.85%	64.85%
First National Operation and Maintenance Company (“NOMAC”)	Kingdom of Saudi Arabia	Management, operation and maintenance of water and power projects and plants.	100%	90%
International Barges Company for Water Desalination (“BOWAREGE”)	Kingdom of Saudi Arabia	Construct, own, develop, operate and maintain water desalination plants erected on barges and ships and to carry out activities of production and sale of desalinated water.	64.85%	64.85%
Rabigh Expansion Company (“REC”)	Kingdom of Saudi Arabia	Establish and create, manage, operate and invest in industrial and service projects and construction.	100%	100%

Arabian Company for Water and Power Projects and its Subsidiaries (A Saudi Joint Stock Company)

NOTES TO THE SPECIAL-PURPOSE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31 December 2014

All amounts in Saudi Riyals thousands

2. BASIS OF PREPARATION

The Company was converted from a limited liability Company to a joint stock Company on 9 December 2014. As per the regulations of the Ministry of Commerce and Industry ("MOCI") in the Kingdom of Saudi Arabia, the Company's first financial year (after it became a joint stock company) commences from 9 December 2014 till 31 December of the following year (i.e. 31 December 2015). These special purpose consolidated financial statements are prepared for the financial year ended 31 December 2014 without consideration of the change in legal status. Separate statutory financial statements in compliance with MOCI regulations are also prepared.

These special-purpose consolidated financial statements are prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

3. BASIS OF CONSOLIDATION

These special-purpose consolidated financial statements comprise the assets, liabilities and the results of operations of the Group. Subsidiaries are entities which are controlled by the Group. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Call options are considered when determining whether the Group has obtained control. This assessment depends on the terms of the call option, and judgment is required. Once it is determined that the Group has control over another entity, the proportions of profit or loss and changes in equity allocated to the parent and non-controlling interests are based on present ownership interests.

The results of subsidiaries acquired or disposed of during the year are included in the special-purpose consolidated statement of income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra-group transactions, balances, income and expenses are eliminated in full. Minority interests in the net assets of consolidated subsidiaries are identified separately from the Company's equity therein. Minority interests comprise of the amount of those interests at fair value at the date of the original business acquisition and the minority's share of changes in equity since the date of the acquisition.

4. SIGNIFICANT ACCOUNTING POLICIES

These special-purpose consolidated financial statements have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. These special-purpose consolidated financial statements are presented in Saudi Riyals ("SR") which is the reporting currency of the Company. The significant accounting policies adopted are as follows:

Accounting convention

The special-purpose consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of derivative financial instruments.

Use of estimates

The preparation of special-purpose consolidated financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Arabian Company for Water and Power Projects and its Subsidiaries
(A Saudi Joint Stock Company)

NOTES TO THE SPECIAL-PURPOSE CONSOLIDATED FINANCIAL
STATEMENTS (Continued)

31 December 2014

All amounts in Saudi Riyals thousands

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of estimates (continued)

Significant areas where management has used estimates, assumptions or exercised judgments are as follows:

Fair value of unquoted financial instruments

When the fair value of financial assets and financial liabilities recorded in the special purpose consolidated balance sheet cannot be derived from active markets, the fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are mainly interest rate swaps, foreign exchange forward contracts and call options. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the foreign exchange spot and forward rates and interest rate curves.

Pursuant to certain shareholder agreements, the Group has written put options on minority interests in a subsidiary and on a counterparty's ownership interest in an associate. The fair values of these put options (i.e. the net present value of their redemption amount on exercise) are derived from discounted projected cash flow analysis of the respective entities and the redemption amount determined pursuant to contractual agreements. The fair value measurements are performed on an annual basis.

Foreign currencies

Transactions in foreign currencies are recorded in Saudi Riyals at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the special purpose consolidated statement of income. The gains or losses on foreign currency transactions are included in the special purpose consolidated statement of income during the year.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

On consolidation, the assets and liabilities of foreign operations are translated into Saudi Riyals at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. Exchange differences arising on translation for consolidation, if material, are recognised as a separate component of shareholders' equity. On disposal of a foreign operation, the separate component of shareholders' equity for exchange differences relating to that particular foreign operation is recognised in profit or loss.

Cash and cash equivalents

For the purposes of the consolidated cash flow statement, cash and cash equivalents consists of bank balances, cash on hand, and short term bank deposits that have an original maturity of three months or less.

Arabian Company for Water and Power Projects and its Subsidiaries
(A Saudi Joint Stock Company)

NOTES TO THE SPECIAL-PURPOSE CONSOLIDATED FINANCIAL
STATEMENTS (Continued)

31 December 2014

All amounts in Saudi Riyals thousands

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts receivable

Accounts receivable are stated at original invoice amount less allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred. A provision against doubtful debts is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Such provisions are charged to the special purpose consolidated statement of income and reported under "General and administrative expenses". When an account receivable is uncollectible, it is written-off against the provision for doubtful debts. Any subsequent recoveries of amounts previously written-off are credited against "General and administrative expenses" in the special purpose consolidated statement of income.

Deferred costs (Projects under development)

Costs incurred on projects under development, which are considered as feasible, are carried on the special purpose consolidated balance sheet. If a project is no longer considered feasible, the accumulated costs relating to that project are charged to the special purpose consolidated statement of income in the year in which the determination is made. The Group makes provision against these projects based on expected success rates. Proceeds received from successful projects under development are recognised during the year in the special purpose consolidated statement of income.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise purchase cost, and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the special purpose consolidated statement of income as incurred.

Capital work-in-progress represents all costs relating directly or indirectly to the projects in progress and will be accounted for under relevant category of property, plant and equipment.

The cost less estimated residual value of other property, plant and equipment is depreciated on a straight line basis over the estimated useful lives of the assets.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the special purpose consolidated statement of income when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively.

Arabian Company for Water and Power Projects and its Subsidiaries (A Saudi Joint Stock Company)

NOTES TO THE SPECIAL-PURPOSE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31 December 2014

All amounts in Saudi Riyals thousands

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (continued)

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and the present value of cash flows expected from the assets.

Investments in associates and joint ventures

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Joint ventures are those entities where the Group shares effective control with other shareholders of the investee company.

The Group's investments in its associates and joint ventures are accounted for using the equity method of accounting from the date that the significant influence or joint-control commence until the date that such influence or joint-control ceases. Under the equity method, the investment in associates and joint ventures are carried in the special purpose consolidated balance sheet at cost, plus post-acquisition changes in the Group's share of net assets of the investee companies. The Group's special purpose consolidated statement of income reflects the Group's share of the results of operations of the associates and joint ventures. Where there has been a change recognised directly in the equity of the associates and joint ventures, the Group recognises its share of such changes in its consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint ventures ("upstream and downstream") are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of associates and joint ventures is shown on the face of the special purpose consolidated statement of income and represents profit or loss of the associate or joint venture.

The financial statements of the associates or joint ventures are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associates or joint ventures. At each reporting date, the Group determines whether there is objective evidence that the investment in an associate or a joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognises the loss as 'Share in net income of associates and joint ventures' in the special purpose consolidated statement of income.

When the Group's share of losses exceeds its interest in associates or joint ventures, the Group's carrying amount is reduced to zero and recognition of further losses is discontinued, except to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of such investee companies.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in the special purpose consolidated statement of income.

Arabian Company for Water and Power Projects and its Subsidiaries (A Saudi Joint Stock Company)

NOTES TO THE SPECIAL-PURPOSE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31 December 2014

All amounts in Saudi Riyals thousands

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures (continued)

When the Group increases its ownership interest in an existing associate/ joint venture which remains an associate/ joint venture after that increase, the purchase price paid for the additional interest is added to the existing carrying amount of the associate/ joint venture and the existing share in net assets of the associate or joint venture is not remeasured. The cost of additional investment is allocated between the share of the fair value of net assets and goodwill. Any excess of the additional share in fair value of net assets acquired over the purchase price is recognised as a gain in the special purpose consolidated statement of income.

Appropriate adjustments are recognised in the Group's share of the associate's/ joint venture's profit or loss after additional acquisition in order to reflect the Group's share in fair value of net assets at the acquisition date, arising from the additional acquisition.

Changes in ownership interest in subsidiaries

Changes in Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). In such circumstances the carrying amounts of the controlling and minority interests is adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the minority interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

Impairment of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset, has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If such evidence exists, any impairment loss is recognised in the special purpose consolidated statement of income. Impairment is determined as follows:

- (a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the special purpose consolidated statement of income;
- (b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- (c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows (excluding future expected credit losses that have not yet been incurred) discounted at the original effective interest rate.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-current assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date.

Except for goodwill; when an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount to the extent the increased carrying amount does not exceed the carrying amount that would have been determined, had no impairment loss been recognised for the assets or cash-generating units in prior years. A reversal of an impairment loss is recognised in the special purpose consolidated statement of income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the special purpose consolidated balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts payable and accruals

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

Provisions

Provisions are recognised when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be measured reliably.

Employees' terminal benefits

Provision is made for amounts payable under the Saudi Arabian labour law applicable to employees' accumulated periods of service at the balance sheet date. The liability is calculated as the current value of the vested benefits to which the employee is entitled, should the employee leave at the balance sheet date. Actuarial gains and losses in connection with benefit plans for operations outside the Kingdom of Saudi Arabia are recognised in full in the period in which they occur.

Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risks and interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured for any changes in their fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from the changes in the fair value of derivatives are taken directly to the special purpose consolidated statement of income, except for the effective portion of cash flow hedges, which is recognised in equity and later reclassified to profit or loss when the hedged item affects the special purpose consolidated statement of income.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument previously recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss previously recognised in equity is transferred to the special purpose consolidated statement of income for the period.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue from supply of desalinated water and power is recognised upon delivery of desalinated water and power to the customer on an accrual basis. Capacity charge income (excluding receipts for services provided, such as insurance and maintenance) under Power and Water Purchase Agreement (“PWPA”) or Power Purchase Agreement (“PPA”) or Water Purchase Agreement (“WPA”) for each hour during which the plant is available for power generation and/or water desalination is recognised on a straight-line basis over the lease term or upon actual billing period as appropriate considering the terms of each PWPA or PPA or WPA. In case where straight line method is applied, excess revenue billed is deferred as a liability and reported in the special purpose consolidated balance sheet as deferred revenue.

Revenues from rendering technical, operation and maintenance services are recognised when contracted services are performed. Revenue from development fees is recognised when charged.

Profit on fixed deposits is recognised as the profit accrues. Interest income is recognised as the interest accrued on an effective yield basis.

Dividend income is recognised when the right to receive the dividend is established.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement. Where an arrangement is determined to contain a lease, the arrangement is accounted for as either an operating or a finance lease. Arrangements which meet the criteria for operating leases are classified as such. Initial direct costs incurred in negotiating a lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Borrowing costs

Borrowing costs directly attributable to the construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognised in the special purpose consolidated statement of income in the period in which they are incurred. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the financial charges eligible for capitalisation. Front end fees, debt acquisition and arrangement fees that relate to the origination of the long term loans are amortised over the period of the loans using the effective interest rate (“EIR”). The amortisation on the effective interest basis is capitalised as part of projects under construction up to the date of commencement of commercial production and subsequently it is charged to the special purpose consolidated statement of income.

Expenses

General and administrative expenses include direct and indirect costs not specifically forming part of operating costs. Allocations between general and administrative expenses and production costs, when required, are made on a consistent basis.

Taxation (including zakat)

Zakat and taxation is provided in accordance with the Regulations of the General Authority for Zakat and Tax (the “GAZT”) in the Kingdom of Saudi Arabia and on an accruals basis. Zakat and income tax related to the Company is charged to retained earnings while zakat and income tax related to its subsidiaries are charged to the special purpose consolidated statement of income. Accordingly, amounts reimbursable by the partners of such zakat and income tax are credited to retained earnings. Differences, if any, resulting from the final assessments are adjusted in the year of their finalisation.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (including zakat) (continued)

For subsidiaries outside the Kingdom of Saudi Arabia, provision for tax is computed in accordance with tax regulations of the respective countries.

Deferred income tax is provided for foreign subsidiaries, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on laws that have been enacted in the respective countries at the reporting date.

Deferred income tax assets are recognised for all deductible temporary differences and carry-forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Dividends

Final dividends are recognised as a liability at the time of their approval by the General Assembly.

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment, which is subject to risks and rewards that are different from those of other segments.

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5. RELATED PARTY TRANSACTIONS AND BALANCES

(i) The following receivable and payable balances arose as a result of transactions with related parties. Significant year end transactions and balances arising from transactions with related parties are as follows:

<i>Related Party</i>	<i>Relationship</i>	<i>Transaction/Balance</i>	
		2014	2013
<i>Special purpose consolidated statement of income</i>			
Revenue	Joint ventures and affiliates	717,892	692,245
Service fees income (note 19)	Associate and affiliates	4,688	4,688
Special commission income (note 19)	Associate	3,537	-
<i>Due from related parties</i>			
<i>Current :</i>			
Al Mourjan for Electricity Production Company (a, c)	Joint venture	250	198,750
Rabigh Electricity Company (a, c)	Joint venture	17,242	144,347
Rakaa and its affiliates (b)	Affiliates	48,435	34,617
Shuqaiq Water & Electricity Company (a)	Joint venture	22,485	22,019
Shuaibah Water & Electricity Company (a)	Joint venture	13,526	14,285
Shuaibah Expansion Project Company (a)	Joint venture	9,612	8,168
SGA Marafiq Holdings WLL	Joint venture	-	6,518
Hajr for Electricity Production Company (a)	Joint venture	74,231	7,490
ACWA Power Barka SAOG (a)	Affiliate	21,668	-
Rabigh Arabian Water and Electricity Co. (a)	Associate	39,702	-
Other related parties	Affiliates	6,007	4,725
		253,158	440,919
<i>Due from related parties</i>			
<i>Non-current :</i>			
Minority shareholder (d)	Affiliate	-	11,600
Rabigh Arabian Water and Electricity Co. (e)	Associate	236,856	-
Others	Affiliates	1,012	-
		237,868	11,600
<i>Due to related parties</i>			
<i>Current :</i>			
International Company for Water and Power Projects (f)	Parent company	480,972	27,418
Other related parties		11,360	-
		492,332	27,418
<i>Non-current :</i>			
International Company for Water and Power Projects (g)	Parent company	631,303	731,000
Kahromaa Company (h)	Affiliate	40,935	-
ACWA Power Global Holdings Ltd (note 21)	Affiliate	3,375	-
Other related parties	Affiliates	12,232	-
		687,845	731,000

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5. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

- (a) Due from project companies mainly include amounts due to NOMAC and its subsidiaries for O&M services provided to these companies under O&M agreements.
- (b) Significant portion of receivable represents invoices outstanding in relation to supply of desalinated water to Saline Water Conversion Corporation (“SWCC”), the ultimate customer, which are billed by Bowarege to RAKAA Saudi Power & Water Company Limited (“Rakaa Saudi”). There is a back to back arrangement between Raka Saudi and SWCC for the supply of desalinated water which was extended for an additional three years starting 1 January 2014 to 31 December 2016. The balance also includes receivable from RAKAA International Services Company on account of bridge facility repayments made on its behalf by Floating Ships Company for Water Project Limited.
- (c) The receivables as of 31 December 2013 related to fee from services rendered and has been received in 2014. Also, see note (a).
- (d) On 29 June 2014, APP re-acquired the 10% stake in NOMAC for a consideration of SR 23.2 million. The fair value of the re-acquired shares amounted to SR 20.4 million, resulting in a loss of SR 2.8 million which is charged directly to retained earnings.
- (e) This represents payment made by the Group which represents pro-rata share of the amounts due from RAWEC in respect of the contract renegotiation. The advance is due for repayment on 27 May 2019, or such other date agreed upon by the concerned lenders, and carries a commission of SIBOR plus an agreed margin per annum.
- (f) Amounts due to the parent company represents short term advance. This does not carry any commission and has no fixed repayment date.
- (g) These represent advances by the parent company to fund advances for investment (see (ii) below). These advances have no specific repayment dates and bear no special commission.
- (h) The balance represents amounts due to Kahromaa Company (a subsidiary of the parent company) with respect to the treasury shares acquired by the Group during the year.

(ii) Advances for investment

This mainly represent advances of SR 849.3 million (2013: SR 6,249) by the Group to SGA Marafiq Holdings WLL, Qurayyah Investment Company and Saudi Malaysian Water & Electricity Company (joint ventures of the Group) to fund repayment of the bridge loans of Jubail Water and Power Company, Hajr for Electricity Production Company and Shuaibah Expansion Project Company, respectively (the ultimate investee companies). These advances do not carry any special commission and have no fixed repayment date.

As of the reporting date, the Group, along with other shareholders of SGA Marafiq Holdings WLL, is contemplating full or partial conversion of the funds advanced to share capital, shareholder loan and/or permanent capital contribution pursuant to the terms of the related shareholder agreements.

6. ACCOUNTS RECEIVABLE, PREPAYMENTS AND OTHER RECEIVABLES

	2014	2013
Advances to suppliers	78,331	21,805
Prepaid insurance	19,883	9,408
Prepayments	9,123	8,178
Advances to employees	2,604	2,171
Deferred costs	-	7,219
Other receivables	4,098	-
	<u>114,039</u>	<u>48,781</u>

Deferred costs represent costs incurred on projects under development, which are considered feasible as of the reporting date. A provision is made against deferred costs based on an average project success rate and management’s best estimates. During the year, SR 4.9 million (2013: SR 0.2 million) of development expenses were written off.

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7. INVESTMENTS

Movement for 2014

a) Associates and joint ventures

	% of ownership	Domicile	Opening Balance	Addition (disposal)	Share in net income (loss)	Dividends received	Share in cash flow hedge reserve	Closing balance
Rabigh Arabian Water and Electricity Company	37.00% ¹	Saudi Arabia	213,898	43,447	91,442	-	-	348,787
SGA Marafiq Holdings WLL	33.33%	Bahrain	(118,742)	-	36,115	(11,059)	(10,641)	(104,327)
Shuqaiq International Water and Electricity Company	66.67%	Saudi Arabia	(259,354)	6,249	36,590	-	(23,312)	(239,827)
Saudi Malaysian Water and Electricity Company	50.00%	Saudi Arabia	358,799	-	92,497	(65,250)	1,321	387,367
Suez NOMAC O&M Company	40.00%	Bahrain	14,725	-	5,881	(8,306)	-	12,300
Jubail Operations Holding WLL	40.00%	Bahrain	14,740	-	5,888	(8,307)	-	12,321
Qurayyah Investment Company	35.00%	Saudi Arabia	16,012	-	14,650	-	(43,754)	(13,092)
Rabigh Electricity Company	40.00% ²	Saudi Arabia	638,499	(153,600)	81,148	-	(56,177)	509,870
SunE NOMAC AD	50.00%	Bulgaria	408	-	490	-	-	898
Al Mourjan for Electricity Production Company	50.00%	Saudi Arabia	2,776	1,250	(353)	-	(114,047)	(110,374)
Upstream eliminations, net			(196,792)	4,673	-	-	-	(192,119)
			684,969	(97,981)	364,348	(92,922)	(246,610)	611,804
			1,664,045					1,837,490
			(979,076)					(1,225,686)
			684,969					611,804

b) Equity investments³

Kahromaa Company	5.00%	Saudi Arabia	3	-	-	-	-	3
Multiple Shares Company	5.00%	Saudi Arabia	10	-	-	-	-	10
			13	-	-	-	-	13

This comprise of:

Investments in associates and joint ventures
Share in cash flow hedge reserve of associates and joint ventures

¹ During 2013, the off-taker of an associate of the Group issued a termination notice of its Water and Energy Conversion Agreement (the "WECA") in accordance with the termination provisions for certain performance issues. In accordance with the process outlined in the WECA, the parties entered into negotiations and have renegotiated certain aspects of the contract. The related agreements were executed as of 8 May 2014 and that Company has contributed additional capital.

² During the year, the joint venture has returned portion of a permanent capital contribution by the Group.

³ Investments in Kahromaa and Multiple Shares Company (affiliated companies) are carried at cost as fair values are not readily ascertainable.

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7. INVESTMENTS (CONTINUED)

Movement for 2013

a) Associates and joint ventures

	% of ownership	Domicile	Opening balance	Addition (disposal)	Share in net income (loss)	Dividends received	Share in cash flow hedge reserve	Closing balance
Rabigh Arabian Water and Electricity Company	37.00%	Saudi Arabia	236,705	-	(8,880)	(13,927)	-	213,898
SGA Marafiq Holdings WLL	33.33%	Bahrain	(287,346)	-	29,742	(16,063)	154,925	(118,742)
Shuqaiq International Water and Electricity Company	56.67%	Saudi Arabia	(468,283)	-	26,077	(12,167)	195,019	(259,354)
Saudi Malaysian Water and Electricity Company	50.00%	Saudi Arabia	197,650	-	90,181	(72,450)	143,418	358,799
Suez NOMAC O&M Company	40.00%	Bahrain	19,250	-	7,570	(12,095)	-	14,725
Jubail Operations Holding WLL	40.00%	Bahrain	19,257	-	7,578	(12,095)	-	14,740
Qurayyah Investment Company	35.00%	Saudi Arabia	(27,043)	-	(379)	-	43,434	16,012
Rabigh Electricity Company	40.00%	Saudi Arabia	(277,318)	731,000	38,065	-	146,752	638,499
SunE NOMAC AD	50.00%	Bulgaria	61	-	347	-	-	408
Al Mourjan for Electricity Production Company	50.00%	Saudi Arabia	-	3,750	(71)	-	(903)	2,776
Upstream eliminations, net			(81,014)	(115,778)	-	-	-	(196,792)
			(668,081)	618,972	190,230	(138,797)	682,645	684,969
			993,640					1,664,045
			(1,661,721)					(979,076)

This comprise of:

Investments in associates and joint ventures
Share in cash flow hedge reserve of associates and joint ventures

b) Equity investments

Kahromaa Company	5.00%	Saudi Arabia	3	-	-	-	-	3
Multiple Shares Company	5.00%	Saudi Arabia	10	-	-	-	-	10
			13	-	-	-	-	13

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7. INVESTMENTS (CONTINUED)

The table below represents the gross summarised financial information of ultimate operational project companies held by the Group directly or through its associates and joint ventures set out above. The summarised financial information of associates and joint ventures which are not material are not included here.

<i>As at and for the year ended 31 December 2014</i>	<i>Group's effective holding</i>	<i>Current assets</i>	<i>Non-current assets</i>	<i>Current liabilities</i>	<i>Non-current liabilities</i>	<i>Hedge reserves</i>	<i>Equity</i>	<i>Revenue</i>	<i>Profit (loss)</i>
Rabigh Arabian Water and Electricity Company	37.00%	435,443	5,502,324	2,543,310	2,770,979	-	623,478	631,920	247,140
Rabigh Electricity Company	40.00%	222,225	8,465,163	493,905	6,911,293	(616,220)	1,898,410	1,014,414	202,870
Jubail Water and Power Company	20.00%	1,029,300	10,268,152	1,446,097	9,802,130	(1,261,814)	1,311,039	1,182,629	180,575
Shuaibah Water & Electricity Company	30.00%	450,902	7,237,328	685,640	5,622,306	(663,754)	2,044,038	1,081,282	310,896
Shuaibah Expansion Project Company	30.00%	44,557	741,918	73,155	638,222	(127,169)	202,267	149,542	8,295
Shuqaiq Water and Electricity Company	40.00%	168,823	5,994,265	325,524	5,464,070	(1,013,198)	1,386,692	784,225	91,475
Al Mourjan for Electricity Production Company	50.00%	25,792	1,384,809	66,671	1,565,329	(230,503)	9,104	-	(706)
Hajr for Electricity Production Company	17.50%	343,830	9,925,992	536,449	9,826,047	(164,685)	72,011	256,929	83,714
		2,720,872	49,519,951	6,170,751	42,600,376	(4,077,343)	7,547,039	5,100,941	1,124,259
<i>As at and for the year ended 31 December 2013</i>									
Rabigh Arabian Water and Electricity Company	37.00%	300,544	4,247,021	1,183,774	3,093,371	-	270,420	629,318	(663,172)
Jubail Water and Power Company	20.00%	902,200	10,766,200	2,797,100	9,765,000	(1,208,600)	314,900	1,196,400	182,900
Shuqaiq Water and Electricity Company	34.00%	143,576	6,144,893	1,667,915	5,401,531	(950,162)	169,185	791,108	78,514
Shuaibah Water & Electricity Company	30.00%	492,273	7,478,399	634,062	6,062,339	(678,967)	1,953,238	1,073,758	282,438
Shuaibah Expansion project Company	30.00%	49,006	770,095	233,677	677,680	(122,630)	30,374	150,811	29,823
Rabigh Electricity Company	40.00%	916,314	8,610,075	629,041	7,298,667	(475,778)	2,074,459	814,354	97,663
Hajr for Electricity Production Company	17.50%	32,018	9,394,446	158,220	9,174,176	85,338	8,730	-	(561)
Al Mourjan for Electricity Production Company	50.00%	266,715	652,745	222,155	689,903	(2,408)	9,810	-	(190)
		3,102,646	48,063,874	7,525,944	42,162,667	(3,353,207)	4,831,116	4,655,749	7,415

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8. PROPERTY, PLANT AND EQUIPMENT

The estimated useful lives of the assets for calculation of depreciation are as follows:

Plant, machinery and equipment	Barges	Onshore equipment	Furniture and fixtures	Office equipment and computers	Motor vehicles	Capital work-in-progress	Total	
							2014	2013
Barges	4-20 years	20 years	Furniture and fixtures	Office equipment and computers	4-10 years			
Onshore equipment	2-4 years		Motor vehicles	Motor vehicles	4 years			
			Office equipment and computers		4-5 years			
Cost:								
At beginning of the year	74,719	16,285	11,309	19,680	12,483	17,011	414,839	415,443
Additions	7,476	-	2,181	6,875	1,390	-	45,444	32,913
Write-off	-	-	-	-	-	-	-	(33,517)
Transfers	-	-	223	189	239	(17,011)	-	-
At end of the year	82,195	16,285	13,713	26,744	14,112	-	460,283	414,839
Depreciation:								
At beginning of the year	28,105	16,285	5,452	11,047	7,279	-	228,397	199,547
Charge for the year	3,485	-	1,697	3,728	2,462	-	36,537	46,440
Write-off	-	-	-	-	-	-	-	(17,590)
At end of the year	31,590	16,285	7,149	14,775	9,741	-	264,934	228,397
Net book amounts:								
At 31 December 2014	50,605	-	6,564	11,969	4,371	-	195,349	
At 31 December 2013	46,614	-	5,857	8,633	5,204	17,011		186,442

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9. ACCOUNTS PAYABLE AND ACCRUALS

	2014	2013
Accounts payable and advances	187,236	40,565
Accrued expenses and other current liabilities	52,870	22,930
Commission on letters of guarantee and loans	1,468	3,761
Withholding taxes	4,195	2,484
	<u>245,769</u>	<u>69,740</u>

10. ZAKAT AND TAX

a) Zakat

Pursuant to International Finance Corporation's investment in International Company for Water and Power Projects (the "Parent Company") on 17 September 2014, the Parent Company is assessed as a mixed entity starting 2014 on the basis of its unconsolidated financial statements. As at 31 December 2014, the non-Saudi shareholder owns 5.07% of the Company's shares and the remaining 94.93% is owned by Saudi shareholders.

Prior to 2014, the Group was subject to a consolidated zakat assessment, wherein only wholly-owned subsidiaries (either direct subsidiaries or subsidiaries of direct subsidiaries) were consolidated in the special-purpose consolidated financial statements. Pursuant to the change in shareholding of the Parent Company, the Company will be assessed on a standalone basis.

The Parent Company did not allocate zakat to its subsidiaries in prior years.

The principal elements of the zakat base on a standalone basis attributable to Saudi shareholders are as follows:

	2014
Shareholder's equity	657,348
Issue of capital during the year	650,788
Zakatable/adjusted loss for the year	(3,124)
Non-current assets	<u>(1,313,870)</u>
Zakat base	<u>(8,858)</u>

b) Income tax

Income tax is payable on the taxable income of the Company attributable to the non-Saudi shareholders. Income tax relating to the non-Saudi shareholders amount to SR nil during the year.

The differences between the financial and zakatable and taxable results are mainly due to provisions which are not allowed in the calculation of zakatable and taxable loss.

c) Movements in provision

The movement in zakat and current income tax provision for the year was as follows:

	<i>Company</i>		<i>Subsidiaries</i>		<i>Total</i>	
	2014	2013	2014	2013	2014	2013
At beginning of the year	900	900	5,228	3,824	6,128	4,724
Provisions	-	-	4,964	5,151	4,964	5,151
Payments	-	-	(3,663)	(3,747)	(3,663)	(3,747)
At end of the year	<u>900</u>	<u>900</u>	<u>6,529</u>	<u>5,228</u>	<u>7,429</u>	<u>6,128</u>

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10. ZAKAT AND TAX (CONTINUED)

c) Movements in provision (continued)

Zakat and tax recognised in the special purpose consolidated statement of income includes SR 1.96 million in relation to deferred tax liability in foreign subsidiaries of NOMAC during the year ended 31 December 2014.

Zakat and tax related to the Company is charged to equity in the current year pursuant to the change in ownership, while zakat and tax arising from subsidiaries is charged to the special purpose consolidated statement of income.

d) Status of assessments

The Parent Company has filed consolidated zakat returns for the years ended 31 December 2009 to 31 December 2013. The GAZT has sought certain clarifications and the Parent Company has filed the response in respect of these returns. However, no final zakat assessment has been issued yet, in respect of the zakat returns filed for these years.

The Company has filed standalone zakat returns for the years prior to 31 December 2009 and zakat and tax returns for the year ended 31 December 2014. The zakat assessments have been finalized until the year ended 31 December 2004; while assessments for years ended 31 December 2005 to 2008 are under process with the GAZT. Certain clarifications have been sought by the GAZT in respect of these years.

11. DERIVATIVES AND CASH FLOW HEDGES

Derivatives often involve at their inception only a mutual exchange of promises with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the value of the rate underlying a derivative contract may have a significant impact on the income or equity component of the Group.

As per the provisions of facility agreements, certain associates and joint ventures are required to hedge the interest rate risk on loans contracted. Certain associates and joint ventures also use foreign exchange forward contracts to manage some of their transaction exposures. These associates and joint ventures use derivative financial instruments, to hedge their exposure to mitigate the interest rate risk and/or foreign currency risk, which qualify to be designated as cash flow hedges. The Group's share of changes in cash flow hedge reserves is recognised in its equity.

The cash flow hedge reserve represents the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in the special-purpose consolidated statement of income of the respective company when the hedged transaction impacts the income or loss. Under the terms of the facilities, the hedges are required to be held until the maturity date of the loans. Changes in the fair value of the undesignated portion of the hedging instruments, if any, are recognised in the special-purpose consolidated statement of income of the respective company.

Under the equity method of accounting for associates and joint ventures (collectively the "investees"), changes arising from the change in fair value to the extent of effective cash flow hedges in the investee's equity is recognised directly in the Company's equity, to the extent the Group has incurred legal or constructive obligations.

Also, under shareholder agreements executed between the concerned parties, the Group holds put and call options on the equity ownership of another shareholder in an associate. These are measured as derivatives with changes in fair value recognised in the special-purpose consolidated statement of income

12. DEFERRED REVENUES AND OTHER LIABILITIES

These include provisions for future major maintenance cost amounting to SR 21.2 million (2013: 16.2 SR million) with respect to contractual commitments under O&M contracts (note 5(a)). The balance also includes deferred revenues of SR 18.7 million (SR nil), related to major overhaul and maintenance of plant in future. This will be recognized as revenue when the respective services will be rendered.

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13. SHORT TERM FACILITIES

As at 31 December 2014, Bowarege, the Group's subsidiary, has a short term credit facility granted by a local bank amounting to SR nil (2013: SR 15 million).

14. LONG TERM LOANS AND FACILITIES

	2014	2013
Non-current portion	420,345	460,794
Current portion	58,143	67,732
	<u>478,488</u>	<u>528,526</u>

The table below shows the current and non-current portion of long term loans:

<i>Subsidiary</i>	<i>Note</i>	<i>Non-current portion</i>		<i>Current portion</i>	
		<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
Bowarege	(a)	65,449	92,174	26,725	23,275
Floating Ships	(b)	22,099	16,498	6,343	19,441
SNC	(c)	332,797	352,122	25,075	25,016
		<u>420,345</u>	<u>460,794</u>	<u>58,143</u>	<u>67,732</u>

a) Bowarege has a loan from a commercial bank.

b) Floating Ships has obtained a long term facility from a local commercial bank. The facility is secured by corporate guarantees from partners of both Floating Ships and Bowarege.

c) Shuaibah National Company for Water and Power ("SNC"), the Group's subsidiary, has obtained a five year medium term finance facility from a commercial bank. An amount equivalent to 30% of the facility is repayable in 10 equal semi-annual instalments beginning from 1 March 2012 and the remaining 70% is payable at maturity. The facility is secured by corporate guarantee provided by the Company.

Financial charges recognised in the special-purpose consolidated statement of income for the year are comprised of:

	2014	2013
Interest on long-term loans and facilities	20,784	18,576
Commission on letters of guarantee	5,074	13,437
Other financial charges	1,529	1,181
	<u>27,387</u>	<u>33,194</u>

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15. EQUITY

a) Capital

Capital is divided into 137,700,000 shares of SR 10 each (2013: 20,000 shares of SR 100 each).

In October 2014, the Company issued 137.68 million shares to parent company and certain affiliates:

- in settlement of loan due to the parent company amounting to SR 685.5 million at a par value of SR 10 per share; and
- capitalisation of retained earnings in the amount of SR 689.5 million at a par value of SR 10 per share.

The capital increase was executed pursuant to partner's resolution dated 15 October 2014 (corresponding to 21 Dhul Hijjah 1435H) and completion of legal formalities.

b) Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them.

c) Statutory reserve

In accordance with the Saudi Arabian Regulations for Companies, the Company must set aside 10% of the net profit after zakat and income tax in each year until it has built up a reserve equal to 50% of the capital. These statutory reserves are not available for distribution as dividends.

d) Cash flow hedge reserve

The cash flow hedge reserve represents the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in the special-purpose consolidated statement of income when the hedged transaction impacts the income or loss. Under the terms of the facilities, the hedges are required to be held until the maturity date of the loans. Changes in the fair value of the undesignated portion of the hedging instruments, if any, are recognised in the special-purpose consolidated statement of income. Further, under the equity method of accounting for associates and joint ventures (collectively the "investees"), changes arising from the change in fair value to the extent of effective cash flow hedges in the investee's equity is recognised directly in the Company's equity, to the extent the Group has incurred legal or constructive obligations.

The cumulative movement in fair value of cash flow hedges in shareholders' equity is given below:

	<i>Associates and joint ventures</i>	<i>Subsidiaries</i>	<i>Total</i>
Balance as at 31 December 2012	(1,661,721)	-	(1,661,721)
Net changes in fair value	682,645	-	682,645
	<hr/>	<hr/>	<hr/>
Balance as at 31 December 2013	(979,076)	-	(979,076)
Balance from acquisition of subsidiary (note 23)	-	2,316	2,316
Net changes in fair value	(246,610)	(8,580)	(255,190)
	<hr/>	<hr/>	<hr/>
Balance as at 31 December 2014	(1,225,686)	(6,264)	(1,231,950)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

e) Dividends

In 2014, the Company declared and paid dividends of SR 450 million (2013: SR 125 million).

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15. EQUITY (CONTINUED)

f) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and benefit other stake holders. Management's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business.

Management is confident of maintaining the current level of profitability. The Company is not subject to significant externally imposed capital requirements.

g) Earnings per share

The weighted average number of shares outstanding during the year (in thousands) are as follows:

	2014	2013
Issued ordinary shares as at 1 January	20	20
Effect of increase in number of shares (time weighted) (note 14(a))	<u>29,049</u>	<u>-</u>
Weighted average number of ordinary shares	<u><u>29,069</u></u>	<u><u>20</u></u>

The basic and diluted earnings per share are calculated as follows:

	2014	2013
Income from main operations for the year	<u>447,720</u>	<u>504,063</u>
Net income for the year	<u>443,570</u>	<u>440,108</u>
Weighted average number of ordinary shares (a)*	<u>29,069</u>	<u>20</u>
Basic and diluted earnings per share :		
- attributable to income from main operations (SR)	<u>15.40</u>	<u>25,203.15</u>
- attributable to net income for the year (SR)	<u>15.26</u>	<u>22,005.40</u>

* The weighted average number of shares takes into account the weighted average effect of capital increase transactions during the year ended 31 December 2014.

16. REVENUE

	2014	2013
Services rendered	625,259	573,442
Sale of water	<u>92,633</u>	<u>118,803</u>
	<u><u>717,892</u></u>	<u><u>692,245</u></u>

17. OPERATING COSTS

	2014	2013
Direct material cost	262,704	137,858
Staff cost	169,506	133,309
Depreciation	31,459	42,320
Development expenses	-	16,286
Other direct overheads	<u>30,186</u>	<u>9,886</u>
	<u><u>493,855</u></u>	<u><u>339,659</u></u>

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18. GENERAL AND ADMINISTRATIVE EXPENSES

	2014	2013
Salaries and other employee benefits	61,786	18,424
Professional and legal fees	22,085	1,340
Provision and impairments	10,791	2,981
Travel	9,468	3,318
Utilities	6,472	-
Office and kitchen supplies	6,062	-
Communication	5,304	4,232
Depreciation	5,078	4,120
Repairs and maintenance	2,219	731
Rent	2,036	1,384
Others	4,462	1,985
	135,763	38,515

19. OTHER INCOME

	2014	2013
Insurance claim	55,511	26,170
Service fee	4,688	4,688
Special commission income	3,537	-
Others	3,220	-
	66,956	30,858

20. CONTINGENCIES AND COMMITMENTS

Letters of guarantee

At 31 December 2014, the Group had outstanding contingent liabilities in the form of letters of guarantee amounting to SR 1.4 billion (2013: SR 1.1 billion).

21. PROJECT STATUS OF HAJR

In September 2011, Hajr Electricity Production Company (one of the Group's ultimate associates) (the "Project Company" or "Plant") entered into a Power Purchase Agreement ("PPA") with Saudi Electricity Company ("SEC" or the "offtaker") for the sale of electricity generated by the Plant for a period of 20 years from the Project Commercial Operation Date ("PCOD") and which is extendable upon mutual agreement of the parties. As per the PPA, PCOD was scheduled on 30 June 2014, which has not been met due to certain delays. A request for extension by the Project Company was not accepted by the offtaker and both the Project Company and the offtaker have served notices of dispute on each other.

PCOD was subsequently deemed to be achieved by the Project Company on 16 March 2015; who has since been in discussions with the offtaker for acceptance of the PCOD.

The delay in PCOD has also triggered certain provisions of the PPA, finance and other project documents that could include cancellation of the facility and require payment on demand of the outstanding utilised amount. The Project Company requested a formal waiver letter from the lenders in this respect. However, the lenders have reserved their respective rights under the relevant provisions of the agreement. It is the Group's view, based on consideration of various factors, that there have been no events of default and the lenders are unlikely to demand outstanding amounts before the scheduled dates.

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21. PROJECT STATUS OF HAJR (CONTINUED)

The Group has carried out an impairment review of the Project Company and has concluded that the Plant is not impaired. The Project Company is continuing efforts to resolve the PCOD acceptance and effect settlement of certain outstanding receivables from the offtaker in 2016.

22. SUBSEQUENT EVENTS

a) *Agreements*

Subsequent to the year end, the Group in accordance with the nature of its business, has entered into or is negotiating various agreements including share purchase agreements. The Company does not expect these to have any material impact on the financial position and results as of the reporting date.

b) *Group restructuring*

As set out in note 1, the Group owns 100% of the outstanding shares of First National Operation and Maintenance Company (“NOMAC”). Subsequent to 31 July 2016, the Group has proposed the below restructuring:

A new Company will be formed to be wholly owned by API, which will acquire the entire ownership of NOMAC from the Company at the carrying value of NOMAC’s net assets as of the date of acquisition. Further, the international subsidiaries of NOMAC will also be transferred to another Company ultimately owned by API. Consequently, the Company will no longer own NOMAC and its subsidiaries. Draft agreements (which are yet to be executed) are being formalised in respect of the proposed restructuring. Consequently, once the agreements are executed, NOMAC will no longer be consolidated in these financial statements.

23. BUSINESS ACQUISITION

Pursuant to a reorganisation of the Group’s business, effective 1 January 2014, the Company acquired 100% interest in the subsidiary “NOMAC Oman” as listed in note 1 above from ACWA Power Global Holding Limited (the ‘seller’). The Company paid a total consideration of SR 3,375,000.

In respect of NOMAC Oman, the Company owns 99.92% shares and 0.08% is held by ACWA Power International Holding (JAFZA), which is 100% owned by the Ultimate Parent Company for the beneficial interest of the Company. Nomac Oman is accordingly wholly consolidated in these special-purpose financial statements.

The beneficial interests are evidenced by either instruments of transfer of shares, or by an agreement under the terms of which there is control over the transfer of shares. Accordingly, the above entity is considered to be subsidiaries and are included as such in the consolidated financial statements, notwithstanding the absence of official registration in the countries concerned of the aforementioned instruments.

The seller is also a wholly owned subsidiary of the Ultimate Parent Company and accordingly the Company has chosen to account for the acquisition under the pooling of interest method. This resulted in recording of a merger and cash flow hedge reserve of SR 15.13 million and SR 2.32 million, respectively, in the statement of financial position.

As per the Group’s accounting policy, the special purpose consolidated statement of income reflects the results of the combining entity for the period from the date of acquisition i.e. 1 January 2014 to 31 December 2014.

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23. BUSINESS ACQUISITION (CONTINUED)

The carrying value of net assets acquired on acquisition are as follows:

	<i>As at</i> <i>1 January 2014</i>
ASSETS	
Cash and cash equivalents	30,839
Trade and other receivables	16,961
Property and equipment	497
Fair value of derivatives	2,316
TOTAL ASSETS	50,613
LIABILITIES	
Trade and other payables	11,173
Employees' terminal benefits	1,535
Other liabilities	17,081
TOTAL LIABILITIES	29,789
NET ASSETS ACQUIRED	20,824

24. OPERATING LEASE COMMITMENTS

Payments under operating leases recognised as an expense during the year amounted to SR 2 million (2013: SR 1.4 million). Operating lease payments represent rentals payable by the Group for office rent, the commitment of which will expire within one year.

25. RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value and cash flow interest rate risks and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by senior management. The most important types of risks are summarised below.

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25. RISK MANAGEMENT (CONTINUED)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is subject to fluctuations in foreign exchange rates in the normal course of its business. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's presentation currency) and the Group's net investments in foreign subsidiaries.

Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Group seeks to manage its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables.

At the balance sheet date, no significant concentrations of credit risk were identified by the management. With respect to credit risk arising from other financial assets of the Group, including cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market interest rates. The Group is subject to interest rate risk on its interest bearing assets and liabilities, including bank deposits, bank overdrafts and term loans. The Group hedges long term interest rate sensitivities through hedge strategies, including use of derivative financial instruments.

Liquidity risk

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

26. FAIR VALUES OF FINANCIAL INSTRUMENTS

The Group's financial assets consist of cash and bank balances, due from related parties, trade and other receivables, and fair value of derivatives. Its financial liabilities consist of term loans, due to related parties, payables and fair value of derivatives.

Derivatives are carried at their fair value as of the reporting date in the special-purpose consolidated balance sheet. The fair values of other financial assets and liabilities are not expected to be materially different from their carrying values.

Financial assets and liabilities are offset and net amounts reported in the special-purpose consolidated financial statements, when the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and liability simultaneously.

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26. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability. Options are valued using the Company's internal models. Fair values are determined through valuation techniques based on discounted cash flows and include a discount for lack of marketability and project specific factors representing the amounts that the Group has determined that market participants would take into account when pricing these instruments.

27. SEGMENT INFORMATION

Consistent with the Group's internal reporting process, business segments have been approved by management in respect of the Group's activities. The Group's operations are structured as follows:

Generation (Power & Water)

This segment comprises of power and water projects that are currently either operational or under construction. Typically, these projects have long term contracts with credit-worthy off-takers (refer note 30 for details of respective off-takers).

Development and operations and maintenance services (O&M Services)

This segment comprises the development of new projects and acquisition of existing business opportunities and operation and maintenance services to the Generation segment under long term contracts.

The O&M services contracts have the same duration as that of the long term contracts of the project companies under the Generation segment. No business segments have been aggregated to form the above reportable business segments. The management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on individual segment's profit or loss.

Inter-segment revenues are eliminated on consolidation.

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27. SEGMENT INFORMATION (CONTINUED)

	<i>Generation (Power & Water)</i>	<i>Development and O&M Services</i>	<i>Total</i>
<i>31 December 2014</i>			
Revenue	92,633	625,259	717,892
Share in net income from associates and joint ventures	364,348	-	364,348
General and administration expenses			(135,763)
Income from main operations			447,720
Segment results	430,069	13,501	443,570
Property, plant and equipment	173,454	21,895	195,349
Total assets	900,752	1,686,330	2,587,082
Total liabilities	111,107	1,901,707	2,012,814
	<i>Generation (Power & Water)</i>	<i>Development and O&M Services</i>	<i>Total</i>
<i>31 December 2013</i>			
Revenue	119,466	572,779	692,245
Share in net income from associates and joint ventures	190,230	-	190,230
General and administration expenses			(38,515)
Income from main operations			504,063
Segment results	235,423	204,685	440,108
Property, plant and equipment	164,598	21,844	186,442
Total assets	964,460	625,047	1,589,687
Total liabilities	140,520	1,265,771	1,406,291

28. COMPARATIVE FIGURES

Certain of the prior year amounts have been reclassified to conform to the presentation in the current year.

29. APPROVAL OF THE SPECIAL-PURPOSE CONSOLIDATED FINANCIAL STATEMENTS

The special-purpose consolidated financial statements have been approved by the Board of Directors on 22 Muharram 1438H, corresponding to 23 October 2016.

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30. MAJOR ULTIMATE SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Company and its direct subsidiaries have ownership interest in the following major operating companies in the proportion set out below:

Entity	Subsidiary/ Associate/ Joint venture*	Contracted capacity		Principal activities	Group's effective holding	
		Project's	ACWA Power's Share		2014	2013
<i>Rabigh Arabian for Water and Electricity Company ("RAWEC")</i>	Associate	Power: 360MW Water: 134,000 m ³ /day Steam: 1,230 tons/hour	Power: 133MW Water: 49,580 m ³ /day Steam: 455 tons/hour	Incorporated in Kingdom of Saudi Arabia as a captive unit engaged in supplying power, water and steam under a 25 year Water and Energy Conversion Agreement with Rabigh Refining and Petrochemical Company. Commercial operation commenced in June 2008.	37.0%	37.0%
<i>Jubail Water and Power Company ("JWAP")</i>	Joint venture	Power: 2,743MW Water: 800,000 m ³ /day	Power 549MW Water: 160,000m ³ /day	Incorporated in Kingdom of Saudi Arabia and engaged in a 20 year PWPA with Marafiq Water and Power Supply Company. Commercial operations commenced in October 2010.	20.0%	20.0%
<i>Shuqaiq Water and Electricity Company ("SqWEC")</i>	Joint venture	Power: 850MW Water: 212,000m ³ /day	Power: 340MW Water 84,800m ³ /day	Incorporated in Kingdom of Saudi Arabia and engaged in supplying power and water under a 20 year PWPA with WEC. Commercial operations commenced in August 2010.	40.0%	34.0%
<i>Shuaitbah Water and Electricity Company ("SWEC")</i>	Joint venture	Power: 900MW Water 880,000m ³ /day	Power: 270MW Water 264,000m ³ /day	Incorporated in Kingdom of Saudi Arabia and engaged in supplying power and desalinated water under a 20 year Power and Water Purchase Agreement ("PWPA") with Water and Electricity Company ("WEC"). Commercial operations commenced in January 2010.	30.0%	30.0%
<i>Shuaitbah Expansion Project Company ("SEPCO")</i>	Joint venture	Water: 150,000m ³ /day	Water: 45,000m ³ /day	Incorporated in Kingdom of Saudi Arabia and engaged in a 20 year Water Purchase Agreement ("WPA") with WEC. Commercial operations commenced in November 2009.	30.0%	30.0%
<i>Rabigh Electricity Company ("RABEC")</i>	Joint venture	Power: 1,204MW	Power: 482 MW	Incorporated in Kingdom of Saudi Arabia and engaged in a 20 year Energy Conversion Agreement with Saudi Electricity Company ("SEC") from project completion. Commercial operation commenced in December 2012.	40.0%	40.0%

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30. MAJOR ULTIMATE SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (CONTINUED)

Entity	Subsidiary/ Associate/ Joint venture*	Contracted capacity		Principal activities	Group's effective holding	
		Project's	ACWA Power's Share		2014	2013
<i>Hajr for Electricity Production Company ("HEPCO")</i>	Joint venture	Power: capacity of 3,927MW	Power: 687MW	Incorporated in Kingdom of Saudi Arabia and engaged in a 20 year Power Purchase Agreement ("PPA") with SEC from project completion. Commercial operations commenced in December 2014.	17.5%	17.5%
<i>Al Mourjan for Electricity Production Company ("MEPCO")</i>	Joint venture	Power: capacity of 2,050MW	Power: 1,025MW	Incorporated in Kingdom of Saudi Arabia and engaged in a 20 year PPA with Saudi Electricity Company. Commercial operations are expected to commence by June 2017.	50.0%	50.0%

* All subsidiaries are consolidated in accordance with note 3. Associates and joint ventures are accounted for using equity method in accordance with the accounting policy as set out in note 4.

ANNEX A—GLOSSARY OF CERTAIN GENERAL TERMS (EXCLUDING DEFINITIONS OF CERTAIN TERMS RELATING TO THE BONDS)

“**2014 Special-Purpose Financial Statements**” means the APP Group’s audited special-purpose consolidated financial statements as of and for the year ended December 31, 2014.

“**2015 Special-Purpose Financial Statements**” means the APP Group’s audited special-purpose consolidated financial statements as of and for the year ended December 31, 2015.

“**2016 Special-Purpose Financial Statements**” means the APP Group’s audited special-purpose consolidated financial statements as of and for the year ended December 31, 2016.

“**ACWA Holding**” means Arabian Company for Water and Power Development, which holds 47.2% of the shares of ACWA Power.

“**ACWA Power**” means International Company for Water and Power Projects, a joint stock company organized under the laws of the Kingdom of Saudi Arabia.

“**ACWA Power Board of Directors**” means the board of directors of ACWA Power.

“**ACWA Power Group**” means ACWA Power, its Affiliates (as defined in “*Description of the Bonds*”) and/or its Subsidiaries (as defined in “*Description of the Bonds*”).

“**Additional Sum**” means 7.5% of Rabigh Power Company’s actual costs related to providing operation and maintenance services to RAWEC.

“**AMWEC**” means Aqua Marafiq Water and Electricity Company.

“**AOMCO**” means Alimtiq Operational Maintenance Company Limited.

“**Apicorp**” means the Arab Petroleum Investments Corporation.

“**APMI One Account**” means our bank account in the UAE with Standard Chartered, DIFC branch.

“**APP**” means Arabian Company for Water and Power Projects.

“**APP Group**” means APP and its consolidated subsidiaries.

“**Appeal Panel**” means an appeal panel consisting of three members representing the Ministry of Finance of Saudi Arabia, the Ministry of Commerce and Industry of Saudi Arabia and the Bureau of Experts at the Council of Ministers of Saudi Arabia.

“**Approved Plan**” means a Plan or entity whose underlying assets are deemed to include Plan Assets that has obtained the written approval of the Issuer, or of the Joint Lead Managers on behalf of the Issuer, to subscribe for and purchase a Bond, or any interest therein.

“**Benefit Plans**” means retirement arrangements subject to Section 4975 of the Code.

“**Bond Security Agents**” means the Onshore Bond Security Agent and the Offshore Bond Security Agent.

“**Bond Trustee**” means the trustee in respect of the Bonds.

“**Bondholders**” means the holders of the Bonds.

“**Bonds**” means US\$814,000,000 5.95% Senior Secured Bonds due 2039 offered in this Offering.

“**Bonds Required Holders**” means the requisite amount of the Bondholders as may be required under the terms of the Indenture (or, where not specified, a simple majority by principal amount).

“**Book Entry Interests**” means beneficial interests in the Bonds issued in global form and held through DTC.

“**Bowarege**” means International Barges Company for Water Desalination Limited.

“**Bowarege IWP**” means the Bowarege barge-mounted water desalination project.

“**Bowarege FSA**” means a fuel supply agreement entered into between RAKA and Saudi Aramco on February 4, 2009 for the sale and purchase of diesel to be delivered to the barges owned by Bowarege.

“**Bowarege Loan Agreement**” means a term loan agreement entered into between Bowarege and SIDF on March, 6, 2010.

“**Bowarege O&M Agreement**” means the operation and maintenance agreement dated August 1, 2008, under which Bowarege appointed NOMAC as a contractor to provide operation and maintenance services to the Bowarege IWP.

“**Bowarege WPA**” means a water purchase agreement entered into between RAKAA and SWCC on July 1, 2007.

“**BTU**” means British thermal unit.

“**CAGR**” means compound annual growth rate.

“**Capital Market Authority**” means the Capital Market Authority of the Kingdom of Saudi Arabia.

“**CEDA**” means the Saudi Council of Economic and Development Affairs.

“**Code**” means the United States Internal Revenue Code of 1986, as amended.

“**Commodity Murabaha Agreement**” means a commodity *murabaha* agreement, for the entry into which 49% of the Sukuk Proceeds will be utilized.

“**Controlling Person**” means any Person with discretionary authority or control with respect to the assets of a Benefit Plan or who provides investment advice for a fee (direct or indirect) with respect to such assets, and any affiliates of such person.

“**Coordination Agent**” means the coordination agent under the Collateral Coordination Agreement.

“**Definitive Registered Bonds**” means definitive Bonds in registered form.

“**DFSA**” means the Dubai Financial Services Authority.

“**DIFC**” means the Dubai International Financial Centre.

“**DIFC Security**” means the security over the Debt Service Reserve Account, the Collection Account, the Redemption Account and the Eligible Investments pursuant to a DIFC law security agreement and the APMI One Share Pledge.

“**DISTCO**” means a power distribution company.

“**DOL**” means the United States Department of Labor.

“**Dongfeng**” means Dongfeng Electric Corporation Limited.

“**DTC**” means Depository Trust Company.

“**ECRA**” means the Electricity Cogeneration Regulatory Authority of the Kingdom of Saudi Arabia.

“**EIRP**” means the Electricity Industry Restructuring Plan.

“**Electricity Law**” means an electricity law that was enacted in the Kingdom of Saudi Arabia pursuant to Royal Decree M/56 dated November 22, 2005.

“**Enforcement Law**” means the Enforcement Law of Saudi Arabia, enacted pursuant to Royal Decree No. M/53 dated July 3, 2012.

“**EPC**” means engineering, procurement and construction.

“**ERISA**” means the U.S. Employee Retirement Income Security Act of 1974, as amended.

“**Euroclear**” means Euroclear Bank SA/NV.

“**Exchange Act**” means the United States Securities Exchange Act of 1934, as amended.

“**EY**” means Ernst & Young & Co. (Public Accountants).

“**FDI**” means foreign direct investment.

“**Final Discharge Date**” means the date upon which all amounts outstanding in respect of the Bond Documents have been fully and finally discharged.

“Financial Model” means the financial model dated April 16, 2017.

“Financial Promotion Order” means the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended.

“Financial Statements” means Special-Purpose Financial Statements.

“Financing Participations” means the aggregate outstanding amount represented by the Bonds held by a Senior Secured Claimholder.

“Floating Ships” means Floating Ships Company for Water Projects Limited.

“GASTAT” means General Authority on Statistics.

“GAZT” means the General Authority of Zakat and Tax.

“GCC” means the Cooperation Council of the Arab States of the Gulf.

“GCC person” means (i) a citizen of any of the member countries of the Cooperation Council of the Arab States of the Gulf (namely, the Kingdom of Saudi Arabia, the United Arab Emirates, the Kingdom of Bahrain, the Sultanate of Oman, the State of Qatar and the State of Kuwait) and (ii) any legal entity owned by GCC citizens and established under the laws of a GCC country.

“GENCO” means a power generation company.

“Global Bonds” means the Regulation S Global Bond together with the Rule 144A Global Bond.

“GW” means gigawatts of electrical energy.

“heat rate” means the measure of thermal efficiency of a power plant in the conversion of fuel into electricity.

“HEPCO” means Hajr for Electricity Production Company.

“HEPCO Shareholders’ Agreement” means a shareholders’ agreement entered into between SEC, Qurayyah Investment Company and HEPCO with respect to HEPCO on September 21, 2011.

“HSE” means health, safety and environmental.

“IFC” means the International Finance Corporation, a member of the World Bank Group.

“IFRS” means the International Financial Reporting Standards, as adopted by the International Accounting Standards Board.

“Implementing Regulations” means the Implementing Regulations issued by Ministerial Resolution No. 9892, dated February 27, 2013 in respect of the Enforcement Law.

“Income Tax Law” means Saudi Arabia’s income tax law issued under Royal Decree No. M/1 dated March 7, 2004.

“Income Tax Regulations” means implementing regulations of the Income Tax Law issued under Ministerial Resolution No. 1535 dated July 28, 2004, as amended.

“Indenture” means the Indenture and each other indenture under which additional senior secured Bonds are issued.

“Initial Purchasers” means Jefferies International Limited, China Construction Bank Corporation, Singapore Branch, Citigroup Global Markets Limited, Mizuho International plc, NCB Capital Company, Standard Chartered Bank, MUFG Securities EMEA plc and SMBC Nikko Capital Markets Limited.

“Instructing Group” means the Majority Senior Secured Claimholders giving instructions to the relevant Security Agent(s) through the Coordination Agent in relation to enforcement of Bond Collateral.

“Intermediate Holding Companies” means Shuaibah National Company for Water and Power, Shuqaiq Arabian Water and Electricity Company, Rabigh Project Company, Rabigh Expansion Project Company and Qurayyah Project Company.

“Intra-Group Liabilities” means certain intra-group finance parties and obligors.

“**Investor Exemptions**” means PTCE 84-14, as amended, applicable to certain purchases by “qualified professional asset managers.” PTCE 90-1, applicable to purchases by certain insurance company pooled separate accounts. PTCE 91-38, applicable to purchases by certain bank collective investment funds. PTCE 95-60, applicable to purchases by certain insurance company general accounts. and PTCE 96-23, applicable to certain purchases by “in-house asset managers.”

“**IPP**” means independent power project.

“**IRS**” means the U.S. Internal Revenue Service.

“**ISCC**” means integrated solar combined cycle.

“**Issue Date**” means the date defined as the “Issue Date” in the section “*Summary—The Offering.*”

“**Issuer,**” “**we**” or “**us**” means ACWA Power Management and Investments One Limited, a limited company incorporated under the laws of DIFC.

“**IT**” means information technology.

“**IWP**” means independent water project.

“**IWPP**” means independent water and power project.

“**Jubail O&M Company**” means Jubail O&M Company Limited.

“**JWAP Shareholders’ Agreement**” means the shareholders’ agreement with respect to JWAP entered into on December 20, 2006, between SEC and SGA Marafiq Holdings W.L.L.

“**JWAP**” means Jubail Water and Power Company.

“**KA-Care**” King Abdullah City for Atomic & Renewable Energy.

“**KAHROMAA**” means Kahromaa Company Limited.

“**KOWEPO**” means Korea Western Power Co., Ltd.

“**KSA Assignment Agreements**” means the Saudi law-governed assignment agreements, under which the KSA Collateral Providers will assign all dividends that have been approved by the relevant shareholders and are payable to the Onshore Bond Security Agent for the benefit of the Bondholders.

“**KSA Collateral Providers**” means various entities within the ACWA Power Group that, under the terms of the KSA Assignment Agreements, will assign to the Onshore Bond Security Agent for the benefit of the Bondholders.

“**Kuwait Securities Laws**” means Law No. 7 of 2010 of the State of Kuwait and the bylaws thereto (as amended), which govern the issue, offer, marketing and sale of securities in the State of Kuwait.

“**kW**” means kilowatts of electrical energy.

“**kWh**” means an amount of energy equivalent to one kW sustained for one hour.

“**LCIA**” means the London Court of International Arbitration.

“**LCIA Rules**” means the arbitration rules of the LCIA.

“**LIBOR**” means US\$ six-month London Interbank Offered Rate.

“**MADA Group**” means MADA Group for Industrial and Commercial Investment, which holds 23.3% of the shares of ACWA Power.

“**Majority Senior Secured Claimholders**” means those Senior Secured Claimholders whose aggregate Financing Participations aggregate more than 50% of the total Financing Participations at that time.

“**Malaysian Shoaiba Consortium**” means Malaysian Shoaiba Consortium Sdn. Bhd., a consortium of Malaysian investors, including Malakoff Corporation Berhad and Tenaga Nasional Berhad.

“**MARAFIQ**” means Power and Water Utility Company for Jubail and Yanbu.

“Marafiq Consortium Agreement” means a consortium agreement dated April 23, 2006 entered into by each of APP, Gulf Investment Corporation and Suez-Tractebel, S.A. entered, which was subsequently amended and restated by the amended and restated consortium agreement entered into by APP, Gulf Investment Corporation and Suez-Tractebel, S.A. on December 20, 2006.

“Marafiq CTA” means a common terms agreement entered into between JWAP and certain financial institutions on May 14, 2007.

“Marafiq Finance Documents” means the Marafiq CTA together with related financing documents.

“Marafiq IWPP” means the Marafiq independent water and power project.

“Marafiq O&M Agreement” means the operation and maintenance agreement dated June 9, 2007 under which WAP appointed Suez NOMAC as a contractor to provide operation and maintenance services to the Marafiq IWPP.

“Marafiq PWPA” means the power and water purchase agreement entered into between SGA Marafiq Holdings W.L.L and Tawreed on January 15, 2007, as amended.

“MENA” means the Middle East and North Africa region.

“MEPCO” means Al-Mourjan for Electricity Production Company.

“MIGD” means millions of Imperial gallons per day.

“Mizuho Loan Agreement” means the loan agreement dated February 26, 2015 among Mizuho Bank, Ltd. (as lender), Mizuho Bank, Ltd. (as facility agent) and NOVA SGA Marafiq Holdings Limited (as borrower).

“MW” means megawatts of electrical energy.

“NCB and Mizuho Facilities” means the facilities loaned to NOVA pursuant to the Mizuho Loan Agreement and the NCB Loan Agreement.

“NCB Loan Agreement” means a murabaha facility investment agency agreement between National Commercial Bank and NOVA dated February 26, 2015.

“New York Convention” means the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards.

“NI 33-105” means Canadian National Instrument 33-105 Underwriting Conflicts.

“NOMAC DIFC” means an existing limited liability company organized under the laws of DIFC, designated to take charge of NOMAC’s business outside of the Kingdom of Saudi Arabia.

“NOMAC Facilities Agreement” means a revolving facilities agreement entered into between NOMAC and SHB on December 1, 2014, as amended and extended on January 25, 2016.

“NOMAC Group” means NOMAC and its subsidiaries.

“NOMAC Holding Company” means a new holding company incorporated as a limited liability company under the laws of the Kingdom of Saudi Arabia, created to hold 100% of the capital of three NOMAC entities and the majority of the capital of a new Saudi Arabian limited liability company.

“NOMAC JSC” or **“NOMAC”** means First National Operations & Maintenance Company JSC, a joint stock company registered in the Kingdom of Saudi Arabia, converted from NOMAC Limited as part of NOMAC Restructuring.

“NOMAC Limited” or **“NOMAC”** means First National Operations & Maintenance Company Limited, a subsidiary of ACWA Power registered in the Kingdom of Saudi Arabia with an issued share capital of SAR 2,000,000 represented by 2,000 shares with a par value of SAR 1,000 each.

“NOMAC Transfer Date” means the date of the transfer of more than 2% of APP’s shares in NOMAC to NOMAC Holding Company.

“NOVA” means NOVA SGA Marafiq Holdings Limited.

“NWC” means National Water Company, a Saudi Arabian state-owned company.

“Obligor” means certain of the companies that are members of the ACWA Power Group having certain financial obligations whose relative ranking is set out in the Collateral Coordination Agreement.

“Offering” means the offering of the Bonds.

“Offering Memorandum” means this offering memorandum.

“Offshore Bond Security Agent” means Citibank, N.A., London Branch.

“Onshore Bond Security Agent” means Arab National Bank.

“PE” means a permanent establishment in the Kingdom of Saudi Arabia.

“Petro-Rabigh” means Rabigh Refining and Petrochemical Company.

“PIF” means the Public Investment Fund of the Government of the Kingdom of Saudi Arabia.

“Plan Assets” means the assets of any Plan or any entity whose underlying assets are deemed to include “Plan Assets” of any purchaser or Bondholder or any interest therein (other than an Approved Plan).

“Plans” means certain arrangements described in and subject to Section 4975 of the Code, together with Benefit Plans.

“PME” means the Presidency of Meteorology and Environment of the Kingdom of Saudi Arabia.

“PPA” means a power purchase agreement.

“Project” means any of Shuaibah Expansion IWP, Shuaibah IWPP, Marafiq IWPP, Shuqaiq IWPP, Rabigh IPP, Qurayyah IPP, Bowarege IWP or RAWEC IWSPP.

“Project Co-Development and Management Agreement” means a project co-development and management agreement entered into between RAKAA and APP with respect to the joint venture to establish a new project company, Bowarege, on July 23, 2007.

“Project Company” means SEPCO, SWEC, JWAP, SQWEC, RABEC, HEPCO, Bowarege or RAWEC.

“Project Performance Agreement” means a project performance agreement entered into on April 1, 2008 between RAKAA and Bowarege for the provision by Bowarege of up to 50,000 cubic meters of desalinated water per day (subsequently amended to 40,000 cubic meters per day).

“Projects Acquisition Company” means Projects Acquisition Company Limited.

“Protection of National Industrial Regulations” means the Regulations for the Protection & Encouragement of National Industries, Saudi Royal Decree No. 50, dated May 27, 1962.

“PTCE” means Prohibited Transaction Class Exemption.

“Public Auction” means an auction or other competitive sales process in which more than one bidder participates or is invited to participate and which is conducted in accordance with the advice of a financial adviser and subject to certain other requirements specified in the Collateral Coordination Agreement.

“PV” means solar photovoltaic.

“PWPA” means a power and water purchase agreement.

“Qatar” means the State of Qatar, including the Qatar Financial Centre.

“QIBs” means qualified institutional buyers, as defined in Rule 144A under the Securities Act.

“QIC Shareholders’ Agreement” means a shareholders’ agreement entered into between Qurayyah Project Company, Samsung C&T Corporation, Qurayyah IPP HoldCo, MENA Infrastructure Fund LP and ACWA Power Projects on February 6, 2012.

“QFI” means a Qualified Foreign Investor, a foreign investor allowed under CMA regulations to invest directly in shares listed on the Tadawul in accordance with such regulations.

“Qurayyah CTA” means a common terms agreement entered into between HEPCO and certain financial institutions on December 2, 2011 (as amended on April 18, 2012).

“Qurayyah Finance Documents” means the Qurayyah CTA together with related financing documents.

“Qurayyah Investment Company” means Qurayyah Investment Company LLC.

“Qurayyah IPP” means the Qurayyah independent power project.

“Qurayyah IPP HoldCo” means Qurayyah IPP HoldCo Limited.

“Qurayyah O&M Agreement” means the operation and maintenance agreement dated September 21, 2011, as amended on February 3, 2012, under which HEPCO appointed NOMAC as operator to provide operation and maintenance services with respect to the power plant.

“Qurayyah PPA” means the power purchase agreement entered into between HEPCO and SEC on September 21, 2011.

“Qurayyah Project Company” means Qurayyah Project Company LLC.

“RABEC” means Rabigh Electricity Company.

“RABEC Shareholders’ Agreement” means a shareholders’ agreement entered into SEC, KEPCO Netherlands B.V. and Rabigh Project Company with respect to RABEC on July 18, 2009.

“Rabigh CTA” means a common terms agreement entered into between RABEC and certain financial institutions on July 28, 2009 (as amended on August 11, 2009 and June 22, 2016).

“Rabigh Developer Shareholders” means KEPCO Netherlands B.V and Rabigh Project Company.

“Rabigh Expansion Company” means Rabigh Expansion Company Limited.

“Rabigh Finance Documents” means the Rabigh CTA together with related financing documents.

“Rabigh Investment Company” means Rabigh Investment Company Limited.

“Rabigh IPP” means the Rabigh independent power project.

“Rabigh O&M Agreement” means the operation and maintenance agreement dated July 11, 2009, under which RABEC appointed Rabigh Operation and Maintenance Company as operator to provide operation and maintenance services with respect to the power plant.

“Rabigh Power Company” means Rabigh Power Company LLC.

“Rabigh PPA” means the power purchase agreement entered into between RABEC and SEC on July 11, 2009.

“Rabigh Project Company” means Rabigh Project Company Limited.

“RAKAA” means Raka Saudi Power & Water Company Limited.

“RAWEC” means Rabigh Arabian Water & Electricity Company.

“RAWEC IWSP” means the RAWEC independent water, steam and power project.

“RAWEC O&M Agreement” means the operation and maintenance agreement dated June 12, 2014, under which RAWEC appointed Rabigh Power Company as a contractor to provide operation and maintenance services with respect to the plant.

“RAWEC Payment Period 1” means the first phase of remuneration of Rabigh Power Company under the RAWEC O&M Agreement.

“RAWEC Payment Period 2” means the second phase of remuneration of Rabigh Power Company under the RAWEC O&M Agreement.

“RAWEC Phase I Facilities” means the phase I facilities of RAWEC IWSP having a power generation capacity of 360 MW using a steam turbine configuration a desalinated water output capacity of 134,000 cubic meters per day using a reverse osmosis desalination process and a steam output capacity of 29,520 tons per day (or 1,230 tons per hour).

“RAWEC Phase I Unreliability Event” means, in each case in respect of the RAWEC Phase I Facilities:

- the average availability is less than 90% for 25% of the time in any 180–day period;
- in any 365–day period in which no major maintenance overhaul occurs, four or more unplanned outages of the RAWEC Phase I Facilities’ desalination units or five or more unplanned outages of the RAWEC Phase I Facilities’ steam units or four or more unplanned outages of the RAWEC Phase I Facilities’ power units occur while the actual capacity of the RAWEC Phase I Facilities is less than 90% of the contracted capacity; or
- in any 365–day period in which a major maintenance overhaul occurs, eight or more unplanned outages of the RAWEC Phase I Facilities’ desalination units, or 10 or more unplanned outages of the RAWEC Phase I Facilities’ steam units, or eight or more unplanned outages of the RAWEC Phase I Facilities’ power units occur while the actual capacity of the RAWEC Phase I Facilities is less than 90% of the contracted capacity.

“RAWEC Phase II Facilities” means the phase II facilities of RAWEC IWSP having a power generation capacity of 160 MW using a steam turbine configuration, a desalinated water output capacity of 54,480 cubic meters per day using a reverse osmosis desalination process and a steam output capacity of 24,360 tons per day (or 1,015 tons per hour).

“RAWEC Phase II Unreliability Event” means, in each case in respect of the RAWEC Phase II Facilities:

- the average availability is less than 90% for 25% of the time in any 180–day period;
- in any 365–day period in which no major maintenance overhaul occurs, six or more unplanned outages of the desalination units, or seven or more unplanned outages of the steam units, or six or more unplanned outages of the power units occur while the actual capacity of the RAWEC Phase I Facilities and RAWEC Phase II Facilities is less than 90% of the contracted capacity; or
- in any 365–day period in which a major maintenance overhaul occurs, 12 or more unplanned outages of the desalination units, or 14 or more unplanned outages of the steam units, or 12 or more unplanned outages of the power units occur while the actual capacity of the RAWEC Phase I Facilities and RAWEC Phase II Facilities is less than 90% of the contracted capacity.

“RAWEC Shareholders’ Agreement” means an amended and restated shareholders’ agreement entered into on December 17, 2014 between APP, Marubeni Corporation, JGC Corporation, Petro-Rabigh, JGC-ITC Utility Co., Ltd. and RAWEC with respect to RAWEC.

“RAWEC WECA” means the amended and restated water and energy conversion agreement entered into between RAWEC and Petro-Rabigh on March 9, 2015.

“Regulation S” means Regulation S under the Securities Act.

“Regulation S Global Bond” means a global bond in registered form, without interest coupons attached, initially representing the Bonds sold outside the United States pursuant to Regulation S.

“Relevant Implementation Date” means the date on which the Prospectus Directive is implemented in a Relevant Member State.

“Relevant Member State” means each member state of the European Economic Area which has implemented the Prospectus Directive.

“relevant persons” means persons who (i) have professional experience in matters relating to investments (being investment professionals falling within Article 19(5) of the Financial Promotion Order), (ii) are persons falling within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations, etc.”) of the Financial Promotion Order, (iii) are outside the United Kingdom or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any Bonds may otherwise lawfully be communicated or caused to be communicated.

“Resale Restriction Termination Date” means, in the case of any Rule 144A Bonds, the date that is one year after the later of the date of the original issue and the last date on which we or any of our affiliates were the owner of such Bonds (or any predecessor thereto) only:

- (i) to the Issuer,
- (ii) pursuant to a registration statement that has been declared effective under the Securities Act;

- (iii) for so long as the Bonds are eligible pursuant to Rule 144A under the Securities Act, to a person the Bondholder reasonably believes is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A under the Securities Act;
- (iv) pursuant to offers and sales that occur outside the United States in compliance with Regulation S under the Securities Act; or
- (v) pursuant to any other available exemption from the registration requirements of the Securities Act,

subject in each of the foregoing cases to any requirement of law that the disposition of your property or the property of such investor account or accounts be at all times within your or their control and to compliance with any applicable state securities laws, and any applicable local laws and regulations, and further subject to the our and the trustee's rights prior to any such offer, sale or transfer (I) pursuant to clause (v) to require the delivery of an Opinion of Counsel, certification and/or other information satisfactory to each of them and (II) in each of the foregoing cases, to require that a certificate of transfer in the form appearing in the Indenture is completed and delivered by the transferor to the Bond Trustee.

"RIC Shareholders' Agreement" means a shareholders' agreement entered into between Rabigh Expansion Company, Samsung C&T Corporation, APP, Projects Acquisition Company and ACWA Power with respect to Rabigh Investment Company on March 28, 2014.

"Rule 144A" means Rule 144A under the Securities Act.

"Rule 144A Global Bond" means a global bond in registered form, without interest coupons attached, initially representing the Bonds sold within the United States to qualified institutional buyers pursuant to Rule 144A.

"Sadaf" means Saudi Petrochemical Company.

"SAGIA" means the Saudi Arabian General Investment Authority.

"SAIBOR" or **"SIBOR"** means Saudi Arabia Interbank Offered Rate.

"SAMA" means the Saudi Arabian Monetary Agency.

"SAMAWEC" means Saudi-Malaysia Water and Electricity Company Limited.

"SAMAWEC Shareholders' Agreement" means a shareholders' agreement between Shuaibah National Company for Water and Power, Malaysian Shoaiba Consortium and SAMAWEC with respect to SAMAWEC entered into on April 20, 2007.

"SAR" and **"Saudi riyal"** means the lawful currency of the Kingdom of Saudi Arabia.

"Saudi GAAP" means accounting principles generally accepted in the Kingdom of Saudi Arabia.

"SAWEA" means the Saudi Arabian Water Environment Association, an associate member of the Water Environment Federation.

"SCA" means the Securities and Commodities Authority of the United Arab Emirates.

"SCOD" means the Scheduled Project Commercial Operation Date under the Marafiq CTA.

"SEC" means Saudi Electricity Company.

"Secured Liabilities" means the liabilities and/or obligations (as applicable) under and in respect of the Bonds and all amounts, including fees and expenses due to the Bond Trustee.

"Securities Act" means the United States Securities Act of 1933, as amended.

"Securities and Exchange Commission" means the U.S. Securities and Exchange Commission.

"SEHCO" means Shuaibah Expansion Holding Company Limited.

"Senior Secured Claimholders" means the Bondholders.

"SEPCO" means Shuaibah Expansion Project Company.

“**SEPCO CTA**” means a common terms agreement entered into between SEPCO and certain financial institutions on July 15, 2007.

“**SEPCO Finance Documents**” means the SEPCO CTA together with related financing documents.

“**SEPCO Holdco Shares**” means the share capital of Shuaibah Expansion Holding Company.

“**SEPCO Master Murabaha Agreement**” means a Master Murabaha Agreement signed by SEPCO with Arab National Bank on January 26, 2016 for the amount of SAR 12,187,500.

“**SEPCO O&M Agreement**” means Shuaibah Expansion IWP under the operation and maintenance agreement dated July 15, 2007.

“**SEPCO O&M Subcontract**” means the operation and maintenance subcontract agreement dated July 15, 2007.

“**SEPCO Shareholders’ Agreement**” means Shuaibah Expansion Holding Company and SEPCO entered into a shareholders’ agreement with respect to SEPCO on July 15, 2007.

“**SEPCO WPA**” means the water purchase agreement entered into between SEPCO and WEC on July 15, 2007.

“**SEPCOIII**” means Sepcoiii Electric Power Construction Corporation.

“**SFA**” means the Securities and Futures Act, Chapter 289 of Singapore.

“**SFO**” means the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong.

“**Shareholder Liabilities**” means certain subordinated shareholder liabilities that APP has incurred or may incur in the future.

“**SHB**” means Saudi Hollandi Bank.

“**Shuaibah Expansion Holding Company**” means Shuaibah Expansion Holding Company Limited.

“**Shuaibah Expansion IWP**” means the Shuaibah expansion independent water project.

“**Shuaibah IWPP**” means the Shuaibah independent water and power project.

“**Shuaibah National Company for Water and Power**” means Shuaibah National Company for Water and Power Limited.

“**Shuqaiq IWPP**” means the Shuqaiq independent water and power project.

“**SIDF**” means the Saudi Industrial Development Fund.

“**Similar Law**” means federal, state, local or foreign laws or regulations that are substantially similar to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of ERISA and Section 4975 of the Code.

“**SIWEC Shareholders’ Agreement**” means a shareholders’ agreement entered into between Shuqaiq Arabian Water and Electricity Company, Mitsubishi Corporation and Gulf Investment Corporation with respect to Shuqaiq International Water and Electricity Company on February 28, 2006.

“**SMOMC**” means Saudi Malaysia Operation Maintenance Company.

“**SNC Facilities Agreement**” means a facilities agreement entered into between Shuaibah National Company for Water and Power with Arab National Bank on December 12, 2011 (as amended on February 12, 2014).

“**SOCPA**” means the Saudi Organization for Certified Public Accountants.

“**Special-Purpose Financial Statements**” means the 2016 Special-Purpose Financial Statements together with the 2015 Special-Purpose Financial Statements and the 2014 Special-Purpose Financial Statements.

“**SQIWEC Murabaha Facility Agreement**” means a murabaha facility agreement entered into between Shuqaiq International Water and Electricity Company and Arab National Bank on June 4, 2014.

“**SQWEC**” means Shuqaiq Water and Electricity Company.

“**SQWEC CTA**” means a common terms agreement entered into between SQWEC and certain financial institutions on February 27, 2007.

“**SQWEC Finance Documents**” means the SQWEC CTA together with related financing documents.

“**SQWEC O&M Agreement**” means the operation and maintenance agreement dated February 28, 2007, as amended on September 5, 2012, under which SQWEC appointed NOMAC as a contractor to provide operation and maintenance services to the Shuqaiq IWPP.

“**SQWEC PWPA**” means the power and water purchase agreement entered into between SQWEC and WEC on February 28, 2007, as amended.

“**SQWEC Shareholders’ Agreement**” means a shareholders’ agreement entered into between SQWEC, Shuqaiq International Water and Electricity Company, PIF and SEC in relation to SQWEC on February 26, 2007.

“**Stabilizing Manager**” means Citigroup Global Markets Limited (or persons acting on its behalf).

“**Subordinated Liabilities**” means the Shareholder Liabilities and Intra-Group Liabilities.

“**Suez NOMAC**” means Suez NOMAC O&M Holding Company W.L.L.

“**Supreme Court**” means a supreme court, the establishment of which has been approved by the Saudi Government.

“**SWCC**” means Saline Water Conversion Corporation.

“**SWEC**” means Shuaibah Water and Electricity Company.

“**SWEC CTA**” means a common terms agreement entered into between SWEC and certain financial institutions on December 21, 2005 (as amended on August 1, 2006).

“**SWEC Finance Documents**” means the SWEC CTA together with related financing documents.

“**SWEC Master Murabaha Agreement**” means a Master Murabaha Agreement signed by SWEC with Arab National Bank on January 3, 2016 for the amount of SAR 93,750,000.

“**SWEC O&M Agreement**” means the operation and maintenance agreement dated January 14, 2006, under which SQWEC appointed NOMAC as a contractor to provide operation and maintenance services to the Shuqaiq IWPP.

“**SWEC O&M**” means a new limited liability company organized under the laws of the Kingdom of Saudi Arabia, which will be created to provide operation and maintenance services to Shuaibah IWPP under the existing subcontract, which will be novated to transfer all rights and obligations under such subcontract from NOMAC to SWEC O&M.

“**SWEC O&M Subcontract**” means the operation and maintenance subcontract agreement dated January 14, 2006.

“**SWEC PWPA**” means the power and water purchase agreement entered into between SWEC and WEC on November 15, 2005, as amended.

“**SWEC Shareholders’ Agreement**” means the shareholders’ agreement with respect to SWEC entered into between SWEC, SAMAWEC, PIF and SEC on November 14, 2005, subsequently amended in 2006 and then again amended on June 22, 2009.

“**Tadawul**” means the Saudi Stock Exchange.

“**Tawreed**” means Marafiq Water and Power Supply Company.

“**Trust Indenture Act**” means the United States Trust Indenture Act of 1939, as amended.

“**U.S. GAAP**” means accounting practices generally accepted in the United States of America.

“**U.S. Holder**” means a beneficial owner of a Bond that is, for U.S. federal income tax purposes, any of the following:

- an individual citizen or resident of the U.S.;
- a corporation (or any other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the U.S., any state thereof or the District of Columbia;

- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if either (a) a U.S. court is able to exercise primary jurisdiction over the administration of the trust and one or more U.S. Persons have the authority to control all substantial decisions of the trust, or (b) the trust has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. Person.

“**US\$** ” and “**U.S. dollar**” means the lawful currency of the United States of America.

“**WEC**” means Water and Electricity Company.

“**WPA**” means a water purchase agreement.

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