شركة الصناعات الكهربائية
ELECTRICAL INDUSTRIES CO.

Prospectus

Offer of (13,500,000) thirteen million five hundred thousand Shares representing (30%) of Electrical Industries Company share capital, through an Initial Public Offering at an Offer Price of SAR 54 per share.

A Saudi Joint Stock Company by virtue of the Ministerial Decree No. 198/Q dated 25/7/1428H (corresponding to 7/8/2007G) and the Commercial Register No. 2050056359 dated 22/8/1428H (corresponding to 4/9/2007G)

Offering Period is: from Tuesday 18/01/1436H (corresponding to 11/11/2014G) to Monday 24/01/1436H (corresponding to 17/11/2014G)

Electrical Industries Company (hereinafter referred to as "EIC", the "Company" or "Issuer") was established as a Saudi joint stock company registered in the Kingdom of Saudi Arabia (the "Kingdom") by virtue of the Ministerial Decree No. 198/Q dated 25/7/1428H (corresponding to 7/8/2007G) under the Commercial Register No. 2050056359 dated 22/8/1428H (corresponding to 4/9/2007G) issued in Dammam, with a share capital of (SAR 2,000,000) two million Saudi Riyals. On 11/04/1432H (corresponding to 16/03/2011G), the Company's capital was increased from (SAR 2,000,000) two million Saudi Riyals to (SAR 350,000,000) three hundred fifty million Saudi Riyals divided into (35,000,000) thirty five million ordinary shares with a nominal value of (SAR 10) ten Saudi Riyals each, by issuing (34,800,000) thirty four million and eight hundred thousand shares at a par value of (SAR 10) ten Saudi Riyals per share transferred by the Shareholders to the Company at net book value. On 09/05/1435H (corresponding to 10/03/2014G), the Company's capital was increased from (SAR 350,000,000) three hundred fifty million Saudi Riyals to (SAR 450,000,000) four hundred fifty million Saudi Riyals divided into (45,000,000) forty five million ordinary shares with a nominal value of (SAR 10) ten Saudi Riyals each, by capitalizing (SAR 70,000,000) seventy million Saudi Riyals from the balance of retained earnings and (SAR 30,000,000) thirty million Saudi Riyals from the balance of the statutory reserve. The current share capital of the Company is (SAR 450,000,000) four hundred fifty million Saudi Riyals consisting of (45,000,000) forty five million ordinary shares, with a fully paid nominal value of (SAR 10) ten Saudi Riyals each (the "Share").

The Initial Public Offering of the Company's shares (the "Offering" or "Subscription") will be for (13,500,000) thirteen million five hundred thousand Shares (the "Offer Shares" collectively, and an "Offer Share" each) at a nominal paid in full value of (SAR 10) ten Saudi Riyals per share. The offering price shall be SAR 54 per share. The Offer Shares represent (30%) of the issued share capital of the Company and shall be restricted to two groups of investors; namely:

Tranche (A) Institutional Investors: comprising a number of institutions, including mutual funds (the "Institutional Investors") (please see Section 1 "Definitions and Abbreviations"). The number of Offer Shares to be allocated to Institutional Investors is (13,500,000) thirteen million five hundred thousand Ordinary Shares, representing (100%) of the Offer. However, the Lead Manager has the right to reduce the number of Shares allocated to Institutional Investors to (6,750,000) six million seven hundred fifty thousand Shares, representing (50%) of the Offer Shares, in the event there is sufficient demand by Individual Investors (as defined in Segment (B) below) and subject to the consent of the Capital Market Authority "CMA". (90%) of the Offer Shares allocated to this tranche will be reserved for investment funds, with this percentage adjustable depending on insufficient demand by other Institutional Investors for the remaining (10%) or if investment funds do not subscribe to the full (90%) allocated to them; and

Tranche (B) Individual Investors: Investors, comprising individuals holding the Saudi Arabian nationality, including a Saudi female divorcee or widow from a marriage to a non-Saudi who can subscribe for her own benefit, in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor children (collectively "Individual Investors" and individually "Individual Investor"). Subscription of a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature has been proved to have occurred, then the regulations shall be enforced against the concerned applicant. A maximum of (6,750,000) six million seven hundred fifty thousand Shares representing (50%) of the Offer Shares shall be allocated to Individual Investors. In the event of insufficient take up by Individual Investors, the Lead Manager may reduce the number of shares allocated to Individual Investors in proportion to the number of shares subscribed by them, subject to the approval of the Capital Market Authority ("CMA").

The Offer Shares are being sold by the shareholders whose names appear on page (x) (collectively, the "Selling Shareholders"), who collectively own (100%) of the Company Shares. Upon completion of the Subscription, the Selling Shareholders will collectively own (70%) of the Shares and will consequently retain a controlling interest in the Company. The Selling Shareholders of the Company are: Ali Zaid Al Quraishi and Brothers Company Limited, Saad Bin Abdullah Bin Abdulaziz Al Tuwaijri, Al Toukhi Trading Group, Ahmad Bin Nasser Bin Yacoub Al Swaidan, and Abdulaziz Bin Zaid Bin Ali Al Quraishi. The net proceeds from the Offering will be distributed to the Selling Shareholders pro-rated to the percentage owned by each Shareholder in the Subscription Shares. The Company will not receive any part of the net proceeds (see Section 10 "Use of Proceeds").The Underwriters will commit to fully underwrite the Offering (see Section 15 "Underwriting Agreement"). The Selling Shareholders will be subject to a restriction period during which they will be prohibited from selling their Shares for a period of (12) twelve months as of the date trading starts on the Saudi Stock Exchange ("Tadawul" or the "Exchange") ("lock-up period") as indicated on page xiii. After the lock-up period has elapsed, the Shareholders may only dispose of their Shares after obtaining CMA approval.

The Offering will commence on Tuesday 18/01/1436H (corresponding to 11/11/2014G) and will remain open for a period of (7) seven days up to and including the closing day on Monday 24/01/1436H (corresponding to 17/11/2014G) (the "Offering Period"). Subscription to the Offer Shares can be made through any of the branches of Receiving Agents (the "Receiving Agents") listed on page (ix) (see Section 17 (Subscription Conditions and Instructions)) during the Offer Period. Institutional Investors can subscribe to the Offer Shares through the Institutional Investors Register Manager who establishes an order record prior the Offering being made available to Individual Investors.

Each Individual Investor who subscribes to the Offer Shares must apply for a minimum of (10) ten Shares. The maximum number of Offer Shares that can be subscribed to is (250,000) two hundred fifty thousand. The minimum number of allocated shares will be (10) ten Offer Shares per Subscriber, and the balance of the Offer Shares, if any, will be allocated on a pro-rata basis based on the percentage subscribed to by each Subscriber to the total number of subscribed shares. In the event that the number of Subscribers exceeds (675,000) six hundred seventy five thousand, the Company will not guarantee the minimum allocation of Offer Shares, and the Offer Shares will be allocated equally between all Subscribers. If the number of Subscribers exceeds (6,750,000) six million seven hundred fifty thousand, the allocation will be determined at the discretion of the Company and Bookrunner. Excess subscription monies, if any, will be refunded to the Subscribers without any charge or withholding by the Lead Manager or the Receiving Agents. Notification of the final allotment and refund of subscription monies, if any, will be made at the latest by Monday 02/02/1436H (corresponding to 24/11/2014G)(please refer to the Section entitled "Key Dates and Subscription Procedures", page xiv and Section 17 entitled "Subscription Conditions and Instructions").

The Company has one class of ordinary shares. Each Share entitles its holder to one vote, and each shareholder (a "Shareholder") with at least (20) twenty Shares has the right to attend and vote at a General Assembly ("Ordinary General Assembly"). No Shareholder benefits from any preferential voting rights. The Offer Shares will entitle holders to receive dividends declared by the Company from the date of this Prospectus and subsequent fiscal years (see Section 8 "Dividend Distribution Policy").

Prior to the Offering, the Company Shares have never been listed either in KSA or elsewhere. An application has been made to the CMA for the admission of the Shares at the CMA. The approvals pertaining to this prospectus have been granted and all supporting documents required by the CMA have been supplied. All relevant requirements have been met in full, and trading in the Offer Shares is expected to commence on the Exchange shortly after the final allocation of the Offer Shares and the fulfillment of all relevant legal requirements (see the "Key Dates and Subscription Procedures" Section). Saudi nationals, non-Saudi nationals holding valid residency permits in Saudi Arabia, GCC nationals, as well as Saudi and GCC companies, banks, and mutual funds will be permitted to trade in the Offer Shares once they are traded on the Exchange. Non-Saudi individuals living outside KSA and institutions registered outside KSA (hereinafter referred to as "Foreign Investors") will also have the right to acquire economic benefits in the shares by entering into swap agreements with persons authorized by the CMA to purchase shares listed in the financial market and to trade these shares in favor of foreign investors.

Note: The "Important Notice" on page (i) and "Risk Factors" in Section 2 of this Prospectus should be considered carefully prior to making an investment decision in the Offer Shares hereby.

An application for admission and listing has been submitted to the Capital Market Authority in the Kingdom of Saudi Arabia, and all requirements have been met.

Financial Advisor, Lead Manager and Lead Underwriter

sambacapital سامباكابيتال

Secondary Underwriter

الراجحي المالية
Al Rajhi Capital

Receiving Agents

samba سامبا | Al Rajhi Bank مصرف الراجحي | NCB الأهلي | riyad bank بنك الرياض | Banque Saudi Fransi | SABB ساب | Saudi Hollandi Bank البنك السعودي الهولندي

This Prospectus includes details given in compliance with the Listing Rules of the CMA. The Directors, whose names appear on page (v) collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading. The CMA and the Exchange do not take any responsibility for the contents of this Prospectus, do not make any representations as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document.

This Prospectus is dated 12/1/1436H (corresponding to 5/11/2014G)

This unofficial English translation of the official Arabic Prospectus is provided for information purposes only. The Arabic prospectus published on the CMA's website (www.cma.org.sa) remains the only official, legally binding version and shall prevail in the event of any conflict between the two texts.

شركة الصناعات الكهربائية
ELECTRICAL INDUSTRIES CO.

Important Notice

This Prospectus contains detailed information relating to the Company and the Offer Shares. When applying for the Offer Shares, both institutional and individual investors will be treated as applying solely on the basis of the information contained in this Prospectus, copies of which are available for collection from the Company, the Lead Manager, the Receiving Agents or by visiting the websites of the Company (www.eic.com.sa), the Financial Advisor and Lead Manager (www.sambacapital.com), or the CMA (www.cma.org.sa).

Samba Capital has been appointed by the Company as the financial advisor in respect to the Offering (the "Financial Advisor" or "Samba Capital"). Samba Capital has also been appointed as the individual investors' bookrunner (the "Bookrunner"), corporate lead manager ("Lead Manager"), and lead underwriter (the "Lead Underwriter") in relation to the Offering.

This Prospectus includes information given in compliance with the Listing Rules of the CMA. The Directors, whose names appear in page (v) collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts or omissions which would make any statement herein misleading.

While the Company has made all reasonable enquiries as to the accuracy of the information contained in this Prospectus as at the date hereof, a substantial portion of the information in the Prospectus relevant to the market and industry in which the Company operates is derived from external sources. While neither the Company, the Financial Advisor nor any of the Company's Advisors, whose names appear on page (ix) of this Prospectus (the "Advisors"), has any reason to believe that any of the market and industry information is materially inaccurate, neither the Company nor any of the Advisors has independently verified such information, and no representation or assurance is made with respect to the accuracy or completeness of any of this information.

The information contained in this Prospectus as at the date hereof is subject to change. In particular, the actual financial condition of the Company and the value of the Offer Shares may be adversely affected by future developments such as inflation, interest rates, taxation or other economic, political and any other factors, over which the Company has no control (for more information, please see Section 2 "Risk Factors" hereof). Neither the delivery of this Prospectus nor any oral or written information in relation to the Offer Shares is intended to be — or should be construed as or relied upon in any way — as a promise, affirmation or representation as to future earnings, results or events.

The Prospectus is not to be regarded as a recommendation on the part of the Company, the Directors, the Selling Shareholders, the Receiving Agents, or the Company's Advisors to participate in the Offering. Moreover, information provided in this Prospectus is of a general nature and has been prepared without taking into account individual investment objectives, financial situation or particular investment needs. Prior to making an investment decision, each recipient of this Prospectus is responsible for obtaining independent professional advice from a CMA licensed financial advisor in relation to the Offering and must rely on its own examination of the Company and the appropriateness of both the investment opportunity and the information herein with regard to the recipient's individual objectives, financial situation and needs.

The Offer is limited to two tranches:

Tranche (A) Institutional Investors comprising a number of institutions including mutual funds (please refer to Section 1 "Definitions and Abbreviations").

Tranche (B) Individual Investors, comprising individuals holding the Saudi Arabian nationality, including a Saudi female divorcee or widow from a marriage to a non-Saudi who can subscribe for her own benefit, in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor children. Subscription of a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature has been proved to have occurred, then the regulations shall be enforced against the concerned applicant.

The distribution of this Prospectus and the sale of the Offer Shares in any country other than Saudi Arabia is expressly prohibited. All recipients of this Prospectus must inform themselves of any regulatory restrictions relevant to this Offering and the sale of the Offer Shares and to observe all such restrictions.

Market and Industry Data

The information in Section 3 "Market Overview" is derived from reports prepared by ERAS Consulting Limited ("ERAS") exclusively for the Company in March 2014. ERAS does not, nor do any of its subsidiaries, associates, shareholders, directors, or their relatives own any Shares or any interest of any kind in the Company or its subsidiaries. ERAS has given, and not withdrawn its written consent, to the use of its data and market research in this Prospectus.

ERAS provides professional consultations to private and public sectors' corporations. ERAS operates in several fields and sectors. ERAS was established in 1987 and is headquartered in London, United Kingdom. ERAS currently employs more than 30 staff members.

The Company believes that the market and industry data are subject to change and cannot always be verified with certainty due to the limited availability of reliable preliminary data as well as other difficulties that may arise upon gathering information in a market of such size.

Financial and Statistical Information

The audited consolidated financial statements for the financial years ending on 31 December, 2011, 2012, 2013, and the first quarter of 2014 and the accompanying notes thereto, which have been audited by Ernst & Young in conformity with the Generally Accepted Accounting Principles issued by the Saudi Organization for Certified Public Accountants ("SOCPA"), have been prepared by the Company's Management. The Company publishes its financial statements in Saudi Arabian Riyals.

In the event where statistical information is derived from external sources for publication in this Prospectus, the Company believes that the information represents the latest information available from the relevant source.

Forecasts and Forward-Looking Statements

Forecasts set forth in this Prospectus have been prepared on the basis of assumptions made by the Company in light of its experience in the market as well as on publicly available market information. Future operating conditions may differ from the assumptions used and consequently no affirmation, representation or warranty is made with respect to the accuracy or completeness of any of these forecasts. The Company asserts that all statements are based on professional due diligence.

Certain statements in this Prospectus constitute "forward-looking statements". Such statements can generally be identified by their use of forward looking words such as "plans", "estimates", "believes", "expects", "anticipates", "may", or "will" or the negative thereof or other variations of such terms or comparable terminology. These forward-looking statements reflect the current views of the Company with respect to future events, but are not a guarantee of future performance. Many factors could cause the actual results, performance or achievements of the Company to be significantly different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Some of the risks and factors that could have such an effect are described in more detail in other sections of this Prospectus (for more details, please see Section 2 "Risk Factors"). Should any of these risks or uncertainties materialize or any underlying assumptions prove to be incorrect or inaccurate, the Company's actual results may vary materially from those described in this Prospectus.

Subject to the requirements of the Listing Rules, the Company must submit a supplementary Prospectus to the CMA if, at any time after the Prospectus has been approved by the CMA and before admission to the Official List, the Company becomes aware that (i) the presence of significant change in any material information contained in the Prospectus or any document required by the Listing Rules, or (ii) the occurrence of additional significant matters that have become known which would have been required to be included in the Prospectus. Except in the aforementioned circumstances, the Company does not intend to update or otherwise revise any industry or market information or forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. As a result of

the aforementioned and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way the Company expects, or at all. Prospective investors, both corporate and individual, should consider all forward-looking statements in light of these explanations and should not place undue reliance on forward looking statements.

Definitions and Abbreviations

For an explanation of certain defined terms and abbreviations mentioned herein, please see Section 1 “Definitions and Abbreviations”.

CORPORATE DIRECTORY

COMPANY'S BOARD OF DIRECTORS

The Company is managed by a Board of Directors (the "Board") comprised of eight (8) members in accordance with the Company's statutes:

Table A-1: Company's Board of Directors

No.	Name	Age	Nationality	Title	Representing**	Executive / Non-executive	Independent / Non-Independent	Direct Ownership***		Indirect Ownership***		Membership Date pre-/post-offering
								pre-offering	post-offering	pre-offering	post-offering	
1	Ahmad Bin Nasser Bin Yacoub Al Swaidan	67	Saudi	Chairman	-	Non-executive	Non-Independent	6.3%	4.4%	-	-	01/01/2013G
2	Mahmoud Bin Mohammed Bin Mahmoud Al Toukhi	46	Saudi	Vice-Chairman	Al Toukhi Trading Group	Non-executive	Non-Independent	-	-	4.6%	3.22%	06/10/2013G
3	Faisal Bin Saleh Bin Zaid Al Quraishi	43	Saudi	Director	Ali Zaid Al Quraishi and Brothers Company Ltd.	Non-executive	Non-Independent	-	-	1.5%	1.1%	13/10/2012G
4	Fahad Bin Saad Bin Abdullah Al Tuwaijri *	40	Saudi	Director	Saad Bin Abdullah Al-Tuwaijri	Non-executive	Non-Independent	-	-	-	-	13/10/2012G
5	Yousef Bin Ali Bin Zaid Al Quraishi	43	Saudi	Director	Ali Zaid Al Quraishi and Brothers Company Ltd.	Non-executive	Non-Independent	-	-	1.5%	1.1%	13/10/2012G
6	Adnan Bin Ibrahim Al Hamoud Al Mohaisen *	61	Saudi	Director	-	Non-executive	Independent	-	-	-	-	13/10/2012G
7	Talal Bin Ahmad Bin Abdulllah Al Zamil *	45	Saudi	Director	-	Non-executive	Independent	-	-	-	-	13/10/2012G
8	Saleh Ben Ali Bin Hamoud Al Athel*	70	Saudi	Director	-	Non-executive	Independent	-	-	-	-	13/10/2012G

Source: EIC

* Note: By virtue of the Company's statutes and Companies regulation provisions, each Board member shall own shares to the value of at least SAR 10,000 ("shares guaranteeing membership") deposited at a local bank. The shares guaranteeing membership shall be transferred post-offering.

** Al Toukhi Trading Group owns a (21.1%) pre-offering stake in the Company. Mahmoud Bin Mohammed Bin Mahmoud Al Toukhi owns (21.8%) in Al Toukhi Trading Group.

Ali Zaid Al Quraishi and Brothers Company Ltd. owns a (38%) pre-offering stake in the Company. Faisal Bin Saleh Bin Zaid Al Quraishi owns (4%) in Ali Zaid Al Quraishi and Brothers Company

Ali Zaid Al Quraishi and Brothers Company Ltd. owns a (38%) pre-offering stake in the Company. Yousef Bin Ali Bin Zaid Al Quraishi owns (4%) in Ali Zaid Al Quraishi and Brothers Company Ltd.

*** The mentioned Shareholding percentages are indicative.

COMPANY'S NAME AND ADDRESS

Electrical Industries Company

شـركـة الصنـاعـات الكهربائيـة
ELECTRICAL INDUSTRIES CO.

Al Dammam Highway - First Industrial City
P.O. Box 6033, Dammam, 31442, Kingdom of Saudi Arabia
Tel: +966 (13) 810 0280
Fax: +966 (13) 810 0265
Website: www.eic.com.sa
Email: info@eic.com.sa

Company's Representative

Ahmad Bin Nasser Bin Yacoub Al Swaidan (Chairman of the Board)

Electrical Industries Company
Al Dammam Highway - First Industrial City
P.O. Box 6033, Dammam, 31442, Kingdom of Saudi Arabia
Tel: +966 (13) 810 0280 extension 1000
Fax: +966 (13) 847 3301
Email: swaidan@eic.com.sa

Tariq Mohamad Al Tahini (CEO)

Electrical Industries Company
Al Dammam Highway - First Industrial City
P.O. Box 6033, Dammam, 31442, Kingdom of Saudi Arabia
Tel: +966 (13) 810 0280 extension 1111
Fax: +966 (13) 847 4854
Email: tahinitm@eic.com.sa

Board of Directors' Secretary:

Abdul Aal Abdul Menhem Ali

Electrical Industries Company
Al Dammam Highway - First Industrial City
P.O. Box 6033, Dammam, 31442, Kingdom of Saudi Arabia
Tel: +966 (13) 847 6112
Fax: +966 (13) 810 0265
Email: abdulall@eic.com.sa

STOCK EXCHANGE

تداول Tadawul	Saudi Stock Exchange (Tadawul) Abraj Attuwenya, North Tower 700 King Fahad Road P.O. Box 60612 Riyadh, 11555 Kingdom of Saudi Arabia Tel: + 966 (11) 218 9999 Fax: + 966 (11) 218 1220 Website: www.tadawul.com.sa E-mail: webinfo@tadawul.com.sa

COMPANY'S COMMERCIAL RELATIONS WITH BANKS

As of the date of this Prospectus, the Company has commercial relations with the following banks:

البنك السعودي للاستثمار The Saudi Investment Bank	The Saudi Investment Bank P.O. Box 3533 Al Maathar Street Riyadh 11481, Kingdom of Saudi Arabia Tel.: +966 (11) 478 6000 Fax: +966 (11) 477 6781 Website: www.saib.com.sa Email: info@saib.com.sa
GIB بنك الخليج الدولي	Gulf International Bank BSC Al Dowali Building, 3 Palace Avenue P.O. Box 1017 Manama Kingdom of Bahrain Tel.: +973 (17) 534 000 Fax: +973 (17) – 522 633 Website: www.gibonline.com Email: info@gibbah.com
بنك الرياض riyad bank	Riyad Bank Dhahran Street P.O. Box 274, Dammam 31411, Kingdom of Saudi Arabia Tel: +966 (13) 834 3564 Ext. 555 Fax: +966 (13) 832 3311 Website: www.riyadbank.com Email: fid@riyadbank.com
البنك السعودي الفرنسي Banque Saudi Fransi	Banque Saudi Fransi King Abdulaziz Street P.O. Box 397, Dammam 31952, Kingdom of Saudi Arabia Tel: +966 (13) 810 3274 Fax: +966 (13) 882 3810 Website: www.alfransi.com Email: info@alfransi.com.sa

Al Rajhi Bank مصرف الراجحي	Al Rajhi Bank King Abdullah Street P.O. Box 176, Dammam 31411, Kingdom of Saudi Arabia Tel: +966 (13) 809 5534, Ext. 133 Fax: +966 (13) 882 3810, Ext. 163 Website: www.alrajhibank.com Email: contactcenter1@alrajhibank.com.sa
NCB الأهلي	National Commercial Bank King Saud Street P.O. Box 5558, Dammam 31432, Kingdom of Saudi Arabia Tel: +966 (13) 849 7436 Fax: +966 (13) 849 7450 Website: www.alahli.com Email: contactus@alahli.com
samba سامبا	Samba Financial Group Prince Turki Street P.O. Box 31952 842, Kingdom of Saudi Arabia Tel: +966 (13) 865 8375 Fax: +966 (13) 865 8333 Website: www.samba.com Email: customercare@sambaonline.com
SABB ساب	Saudi British Bank King Abdulaziz Street P.O. Box 842, Al Khobar 31952, Kingdom Saudi Arabia Tel: +966 (13) 882 6000, Ext. 3144 Fax: +966 (13) 887 1341 Website: www.sabb.com Email: sabb@sabb.com
البنك السعودي الهولندي Saudi Hollandi Bank	Saudi Hollandi Bank Dhahran Street P.O. Box 70, Al Khobar 31411, Kingdom of Saudi Arabia Tel: +966 (13) 8957 444 Fax: +966 (13) 894 1712 Website: www.shb.com.sa Email: csc@saudihollandibank.com

ADVISORS

Financial Advisor, Lead Manager, Institutional Bookrunner, and Lead Underwriter

sambacapital سامباكابيتال	Samba Capital & Investment Management Company Kingdom Centre 14th Floor, Al-Olaya Street P.O. Box 220007, Riyadh 11311 Kingdom of Saudi Arabia Tel.: +966 (11) - 477 4770 Fax: +966 (11) - 211 7438 Website: www.sambcapital.com Email: IPO@sambacapital.com

Legal Advisor

LEGAL ADVISORS ABDULAZIZ I. AL-AJLAN & PARTNERS IN ASSOCIATION WITH BAKER & MCKENZIE LIMITED REGISTRATION NO. 498/12/323	ABDULAZIZ IBRAHIM AL-AJLAN & PARTNERS in association with Baker & McKenzie Limited Al Ahsa Road, Olayan Tower, 3rd Floor P.O. Box 4288, Riyadh 11491, Kingdom of Saudi Arabia Tel: + 966 (11) 291 5561 Fax: + 966 (11) 291 5571 Website: www.bakermckenzie.com Email: legaladvisors@bakermckenzie.com

Legal Accountant

EY	Ernst & Young Juffali Building, 4th Floor, Al Khobar – Dammam Highway P.O. Box 3795, Al Khobar 31952, Kingdom of Saudi Arabia Tel: + 966 (13) 849 9500 Fax: + 966 (13) 882 7224 Website: www.ey.com/me Email: alkhobar@sa.ey.com
pwc	Al- Jrayyed & Partners, members of PricewaterhouseCoopers King Fahd Road P.O. Box 8282, Riyadh 11482, Kingdom of Saudi Arabia Tel: +966 (11) 465 4240 Fax: +966 (11) 465 1663 Website: www.pwc.com Email: ipopwc@sa.pwc.com

* PricewaterhouseCoopers was the Legal Accountant of the Subsidiaries and Associates for 2011.

Market Studies Consultant

ERAS Consulting Limited
124 Finchley Road
London NW3 5GS, United Kingdom
Tel: + 44 (20) 8133 2358
Fax: + 44 (20) 7625 1246
Website: www.erasconsulting.eu
Email: John@erasuk.com

Financial Due Diligence and Working Capital Advisor

Al- Jrayyed & Partners, members of PricewaterhouseCoopers
King Fahd Road
P.O. Box 8282, Riyadh 11482, Kingdom of Saudi Arabia
Tel: +966 (11) 465 4240
Fax: +966 (11) 465 1663
Website: www.pwc.com
Email: ipopwc@sa.pwc.com

Note: All the above mentioned advisors, auditors as well as the market studies consultant have given and have not withdrawn their written consent, until the date hereof, to the publication of their names, addresses, logos and statements in the Prospectus, and do not themselves, their employees, or any of their relatives have any shareholding or interest of any kind in the Company or any of its subsidiaries as of the date of this Prospectus.

Receiving Agents

Samba Financial Group
King Abdulaziz Street
P.O. Box 833, Riyadh 11421
Kingdom of Saudi Arabia
Tel: +966 (11) 477 4770
Fax: +966 (11) 479 9402
Website: www.samba.com
Email: customercare@sambaonline.com

Al Rajhi Bank
Olaya Street
P.O. Box 28, Riyadh 11411
Kingdom of Saudi Arabia
Tel: +966 (11) 462 9922
Fax: +966 (11) 462 4311
Website: www.alrajhibank.com.sa
Email: contactcenter1@alrajhinank.com.sa

National Commercial Bank
King Abdulaziz Street
P.O. Box 3555, Jeddah 21481
Kingdom of Saudi Arabia
Tel: +966 (12) 649 3333
Fax: +966 (12) 643 7426
Website: www.alahli.com
Email: contactus@alahli.com

Riyad Bank
King Abdulaziz Street
P.O. Box 22622, Riyadh 11614
Kingdom of Saudi Arabia
Tel: +966 (1) 401 3030
Fax: +966 (1) 401 3030
Website: www.riyadbank.com
Email: fid@riyadbank.com

Banque Saudi Fransi
Al Maazar Rd.
P.O. Box 56006, Riyadh 11554
Kingdom of Saudi Arabia
Tel.: +966 (11) 404 2222
Fax: +966 (11) 404 2311
Website: www.alfransi.com
Email: info@alfransi.com.sa

Saudi British Bank
Prince Abdulaziz Bin Mosaad Bin Jalawi Street
P.O. Box 9084, Riyadh 11413
Kingdom of Saudi Arabia
Tel: +966 (11) 405 0677
Fax: +966 (11) 405 0660
Website: www.sabb.com
Email: sabb@sabb.com

Saudi Hollandi Bank
Al-Dhabab Street
P.O. Box 1467, Riyadh 11431,
Kingdom of Saudi Arabia
Tel: +966 (11) 4067888
Fax: +966 (11) 4058820
Website: www.shb.com.sa
Email: csc@saudihollandibank.com

Offering Summary

Company Name, Description and Establishment Information	Electrical Industries Company, a Saudi joint stock company incorporated pursuant to the Ministerial Decree No. 198/Q dated 25/7/1428H (corresponding to 07/08/2007G) under the Commercial Register No. 2050056359 dated 22/08/1428H (corresponding to 04/09/2007G)
Summary of the Company's Activities	The Company›s main activities are divided into four key operational processes: 1. Power transformers manufactured by the Company, WESCOSA, and SPTC. These Subsidiaries manufacture and supply transformers, compact substations, unit stations, and low voltage distribution panels mainly for public service providers in Saudi Arabia and the Gulf Cooperation Council (GCC), as well as major property developers. 2. Low and medium voltage switchgear manufactured by WESCOSA, which manufactures and supplies a wide array of low and medium voltage switchgears, low voltage distribution panels, low voltage motor control centers, electrical conductors, cable buses, relay and protection panels, and cable trays. Low and medium voltage switchgear products are mainly sold to clients operating in the oil, gas and petrochemicals sector in the Kingdom. Low and medium voltage switchgear products are highly specialized products, designed according to client specifications, and usually delivered within 6 to 12 months from the date of the purchase order. 3. Services and maintenance provided by WESCOSA. WESCOSA provides after-sales services for low and medium voltage switchgear, as well as services to customer who use WESCOSA and the Company Subsidiaries products in general. It also provides maintenance, repair, testing, upgrade, renewal, replacement, study of electrical and mechanical products and systems and related works; in addition to providing on-site and in project testing. 4. Management and construction services provided by CGPSSA, which implements engineering, procurement and construction (EPC) contracts that entail the installation of medium voltage and mobile substations, as well as testing, installation and service thereof. CGPSSA began offering its services in 2012G.
Selling Shareholders	Selling Shareholders are the shareholders whose names and shareholding percentages are mentioned in the table below:

Shareholder	Pre-Offering			Post-Offering		
	No. of Shares	% *	Capital (SAR)	No. of Shares	% *	Capital (SAR)
Ali Zaid Al Quraishi and Brothers Company	17,100,000	38.0%	171,000,000	11,970,000	26.6%	119,700,000
Saad Bin Abdullah Bin Abdulaziz Al-Tuwaijri	14,665,500	32.6%	146,655,000	10,265,850	22.8%	102,658,500
Al Toukhi Trading Group	9,499,500	21.1%	94,995,000	6,649,650	14.8%	66,496,500
Ahmad Bin Nasser Bin Yacoub Al Swaidan	2,835,000	6.3%	28,350,000	1,984,500	4.4%	19,845,000
Abdul Aziz Bin Zaid Ben Ali Al Quraishi	900,0000	2.0%	9,000,000	630,000	1.4%	6,300,000
Total	45,000,000	100.0%	450,000,000	31,500,000	70.0%	315,000,000

The mentioned shareholding percentages are indicative.

Share Capital	The Company's share capital is (SAR 450,000,000) four hundred fifty million Saudi Riyals divided into (45,000,000) forty five million ordinary Shares with a nominal value of (SAR 10) ten Saudi Riyals per share.
Total Number of Issued Shares	(45,000,000) forty five million fully paid ordinary Shares.
Nominal Value per Share	(SAR 10) ten Saudi Riyals per share.
Offering of IPO	Offering of (13,500,000) thirteen million five hundred ordinary Shares with fully paid nominal value of (SAR 10) ten Saudi Riyals, at an Offering price of 54 SAR per share.

Total Number of Offer Shares	(13,500,000) thirteen million five hundred ordinary Shares
Percentage of Offer Shares	The Offer Shares represent (30%) of the Company's share capital
Offer Price	SAR 54 per Share
Total Value of Offer Shares	SAR 729,000,000
Use of Proceeds	The net proceeds amounting to 709,000,000 (after deducting the Offering expenses estimated at SAR 20,000,000), will be paid to the Selling Shareholders on a pro-rata basis according to the number of shares owned by each Selling Shareholder from the Offer Shares. The Company will not receive any part of the Offering proceeds (see Section 10 hereof entitled "Use of Proceeds").
Number of Offer Shares to be Underwritten	(13,500,000) thirteen million five hundred ordinary Shares.
Total Subscription Amount to be Underwritten	SAR 729,000,000
Categories of Targeted Investors	Tranche (A) Institutional Investors comprising a number of institutions including mutual funds (please refer to Section 1 hereof entitled "Definitions and Abbreviations"). Tranche (B) Individual Investors, comprising individuals holding the Saudi Arabian nationality, including a Saudi female divorcee or widow from a marriage to a non-Saudi who can subscribe for her own benefit, in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor children. Subscription of a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature has been proved to have occurred, then the regulations shall be enforced against the concerned applicant.
Total Offer Shares available for each of the Targeted Investors› Categories:	
Number of Offer Shares Available to Institutional Investors	(13,500,000) thirteen million five hundred ordinary shares representing (100%) of the total Offer Shares. The Institutional Lead Manager shall have the right, subject to CMA's consent, to reduce the allocated Shares to Institutional Investors to (6,750,000) six million seven hundred fifty thousand shares representing (50%) of the total Shares Offered to the public.
Number of Offer Shares Available to Individual Investors	A maximum of (6,750,000) six million seven hundred fifty thousand Shares representing (50%) of the total Offer Shares.
Application Method of for each of the Targeted Investors› Categories:	
Institutional Investors	Institutional Investors as defined in Section 1 hereof entitled "Definitions and Abbreviations" may apply for subscription. The Institutional Lead Manager will provide the subscription applications to the Institutional Investors during the bookbuilding period.
Individual Investors	Application forms will be available during the Offering Period at all Receiving Agents' branches. Application forms shall be filled in accordance with the instructions mentioned in Section 17 hereof entitled ("Subscription Conditions and Instructions"). Applicants who have participated in previous IPOs can also subscribe through the internet, bank phone or ATMs of any of the Receiving Agents branches that offer any or all such services to its customers, provided that the following requirements are satisfied: (1) the Applicant shall have a bank account at a Receiving Agent which offers such services; and (2) there should have been no changes in the personal information or data of the investor since his subscription in the last Offering.

Minimum Number of Offer Shares to be Applied for by each category of the targeted Investors:	
Minimum Number of Offer Shares to be Applied for by Individual Investors	(10) ten Shares.
Minimum Number of Offer Shares to be Applied for by Institutional Investors	(100,000) one hundred thousand shares
Minimum Subscription Amount by each category of the Targeted Investors:	
Minimum Subscription Amount for Individual Investors	SAR 540
Minimum Subscription Amount for Institutional Investors	SAR 5,400,000
Maximum Number of Offer Shares to be Applied for by each category of the targeted Investors:	
Maximum Number of Offer Shares to be Applied for by Individual Investors	(250,000) two hundred fifty thousand Shares.
Maximum Number of Offer Shares to be Applied for by Institutional Investors	(2,249,999) two million two hundred and forty-nine thousand nine hundred and ninety-nine shares.
Maximum Subscription Amount by each category of the Targeted Investors:	
Maximum Subscription Amount for Individual Investors	SAR 13,500,000
Maximum Subscription Amount for Institutional Investors	SAR 121,499,946
Allocation and Refund of Excess Subscription Amount Method for each of the Targeted Investors› Categories:	
Allocation of Offer Shares to Individual Investors	Individual Investors to shares in the IPO, must subscribe to a minimum of (10) ten shares. The maximum for each subscriber is (250,000) two hundred and fifty thousand shares. Remaining shares that are offered, if any, shall be allocated on a pro rata basis based on the percentage requested by each subscriber of the total number of shares applied for. If the number of subscribers exceeds (675,000) six hundred and seventy-five thousand subscribers, the Company cannot guarantee that the minimum number of shares can be allocated; in which case, shares shall be allocated equally to the number of subscribers. In case the number of subscribers exceeded (6,750,000) six million seven hundred and fifty thousand, then allocation shall take place in accordance with proposals set forth by the Company and the bookrunner.
Allocation of Offer Shares to Institutional Investors	Final allocation of the Offer Shares for Institutional Investors shall be made through the Institutional Bookrunner after the completion of the Individual Investors subscription process. The number of Offer shares to be allocated to Institutional Investors is (13,500,000) thirteen million and five hundred thousand ordinary shares representing (100%) of the total Offer Shares. In the event there is sufficient demand by Individual Investors (as defined in Tranche “B” below) of the Offer Shares, the Lead Manager has the right, after the consent of the Authority, to reduce the number of Shares allocated to Institutional Investors to (6,750,000) six million seven hundred and fifty thousand shares, representing (50%) of the total Offer Shares.

Refund of Excess Subscription Monies	Any excess subscription monies, if any, will be refunded without withholding any charge or commission by the Lead Manager or the Receiving Agents. Announcement of the final allotment and refund of excess subscription monies, if any, will be made on 02/02/1436HH, (corresponding to 24/11/2014G) at the latest. (for more details, please see Section 17 hereof entitled "Subscription Conditions and Conditions") and "Key Dates and Subscription Procedures").
Offering Period	The Offering will commence on Tuesday 18/01/1436H (corresponding to 11/11/2014G) and will remain open for a period of 7 (seven) days up to and including the Offering Closing Date which is Monday 24/01/1436H (corresponding to 17/11/2014G).
Dividends' Distribution	The Offer Shares will be entitled to receive any dividends declared by the Company after the date of the Prospectus and for subsequent fiscal years. (For more details on the dividends distribution, please see Section 8 hereof entitled "Dividends Distribution Policy").
Voting Rights	The Company has one class of shares only. None of the Shares carry any preferential rights. Each Share entitles its holder to one vote and each Shareholder with at least (20) twenty Shares has the right to attend and vote at the General Assembly Meetings. The shareholder has the right to delegate another shareholder, but not a member on the board of directors, to attend the General Assembly meetings. For more details, please see Section 14 hereof entitled "Description of Shares").
Restrictions on the Shares (Lock-up period)	Persons whose names appear in this Prospectus as owning shares in the Company may not dispose of any of their shares for a period of 12 (twelve) months as of the date on which trading of the Company›s Offer Shares commences in the Exchange (Tadawul). After such lock-up period has elapsed, they may only dispose of their shares, after obtaining prior approval of the CMA thereon.
Shares previously listed by the Issuer	Prior to the Offering, there has been no public market for EIC Shares in the Kingdom or elsewhere. An application has been made to the CMA for the admission of the Shares to the Official List, and all relevant approvals required to conduct the Offering have been granted. Trading is expected to commence on the Exchange (Tadawul) soon after the final allocation of the Shares. (Please see Section "Key Dates and Subscription Procedures").
Note about Risk Factors and the Important Notice	There are certain risks related to the investment in the Offer Shares. These risks can be categorized into (a) Risks related to the operations of the Company, Subsidiaries and Associates; (b) Risks related to the Market; and (c) Risks related to the Shares. These risks are described in Section 2 hereof entitled "Risk Factors" which should be considered carefully prior to making an investment decision in the Offer Shares.
Expenses	The Selling Shareholders will bear all Offering expenses and costs estimated at a cost of SAR 20,000,000.These costs will be deducted from the Offering proceeds amounting to SAR 729,000,000. These expenses include the fees of the financial advisor, the underwriters, the Company's legal advisors and legal accountant, the market consultant, in addition to the fees of Receiving Agents, and marketing, printing and distribution expenses and other relevant expenses.
Lead Underwriter	Samba Capital & Investment Management Company (Samba Capital) Kingdom Centre 14th Floor, Al-Olaya Street P.O. Box 220007, Riyadh 11311 Kingdom of Saudi Arabia Tel.: +966 (11) 477 4770 Fax: +966 (11) 211 7438 Website: www.sambcapital.com Email: IPO@sambacapital.com

Secondary Underwriter	Al Rajhi Capital King Fahad Road P.O. Box 5561, Riyadh 114325 Kingdom of Saudi Arabia Tel.: +966 (11) 211 9292 Fax: +966 (11) 211 9299 Website: www.alrajhi-capital.com Email: PR@alrajhi-capital.com

Note: The Section "Important Notice" in page (ii) and Section 2 "Risk Factors" hereof should be read thoroughly prior to taking any decision as to whether invest or not in the Offer shares by virtue of this Prospectus.

Prior to the Offering, there has been no public market for EIC Shares in the Kingdom or elsewhere. An application has been made to the CMA for the admission of the Shares to the Official List. All relevant approvals required to conduct the Offering have been granted and all supporting documents were submitted. Trading is expected to commence on the Exchange (Tadawul) soon after the final allocation of the Shares. (Please see Section "Key Dates and Subscription Procedures").

Key Dates And Subscription Procedures

Table A-2: Expected Offering Timetable

Expected Offering Timetable	Date
Offering period:	From Tuesday 18/01/1436H (corresponding to 11/11/2014G) up till the end of Monday 24/01/1436H (corresponding to 17/11/2014G)
Deadline for submission of Application forms for Institutional Investors	On Sunday 03/01/1436H (corresponding to 02/11/2014G)
Deadline for submission of Application forms and payment of the subscription value for Individual Investors	On Monday 24/01/1436H (corresponding to 17/11/2014G)
Deadline for payment for Subscribed shares for Institutional Investors	On Thursday 20/01/1436H (corresponding to 13/11/2014G)
Announcement of final offer shares allotment	On Monday 02/02/1436H (corresponding to 24/11/2014G)
Refund of excess subscription monies (if any)	On Monday 02/02/1436H (corresponding to 24/11/2014G)
Offer Shares trading commencement date	Company's shares trading commencement is expected to start after completion of all relevant legal requirements and procedures. Announcement of the Company's shares trading commencement will be made through local newspapers and Tadawul›s website www.tadawul.com.sa

Note: The above timetable and dates therein are indicative. Actual dates will be communicated through announcements appearing in national daily newspapers and on the Tadawul website (www.tadawul.com.sa) and the CMA's website (www.cma.gov.sa).

HOW TO APPLY

Subscription to the Offer Shares is restricted to two tranches of investors:

Tranche (A) Institutional Investors comprising a number of institutions including mutual funds (referred to collectively as the "Institutional Investors") (please refer to Section 1 hereof entitled "Definitions and Abbreviations"). These investors may apply in accordance with the conditions set forth in this Prospectus. Institutional Investors can obtain application forms from the Lead Institutional Manager during the Company's bookbuilding process period.

Tranche (B) Individual Investors, comprising individuals holding the Saudi Arabian nationality, including a Saudi female divorcee or widow from a marriage to a non-Saudi who can subscribe for her own benefit, in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor children (referred to hereinafter as "Individual Investor" and collectively as the "Individual Investors"). Subscription of a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature has been proved to have occurred, then the regulations shall be enforced against the concerned applicant.

Subscription application forms for Individual Investor will be available during the Offering Period from the Lead Manager and Receiving Agents, as well as on the website of the Lead Manager. Individual Investors can also subscribe through the internet, automated telephone banking or ATMs of any of the Receiving Agents that that provide some or all of these channels to Subscribers who have recently participated in previous initial public offerings, provided that the following requirements are satisfied:

1. the Subscriber must have a bank account at the Receiving Agent which offers such services;
2. there should have been no changes in the personal information or data of the Subscriber (by way of exclusion or addition of any member of his family) since he/she last participated in an initial public offering.

Each Individual Investor is required to fill out the Subscription Application Form according to the instructions mentioned in Section 17 hereof entitled "Subscription Conditions and Instructions". Each Individual Investor must approve all the required fields in the Subscription Application Form. The Company reserves the right to reject any subscription application, in part or in whole, if it does not satisfy any of the subscription conditions and instructions. If two subscriptions are submitted, the second shall be deemed void and only the first one shall be taken into consideration. The Subscription Application Form cannot be amended or withdrawn once submitted. Furthermore, the Subscription Application Form shall, upon submission, represent a binding agreement between the Applicant and the Company (For further information, please refer to Section 17 hereof entitled "Subscription Conditions and Instructions").

SUMMARY OF KEY INFORMATION

This summary of key information is intended to give an overview of the information contained in this Prospectus. However, it does not contain all information that may be important to investors. Accordingly, this summary should be read as an introduction to this Prospectus, and recipients of this Prospectus should read the entire Prospectus in full so that any decision to invest in the Offer Shares by prospective investors shall be based on the examination of this Prospectus as a whole.

The Company

Overview of the Company's History

Electrical Industries Company was established as a Saudi joint stock company registered in the Kingdom of Saudi Arabia by virtue of the Ministerial Decree No. 198/Q dated 25/7/1428H (corresponding to 7/8/2007G) under Commercial Registration No. 2050056359 dated 22/8/1428H (corresponding to 4/9/2007G). The Company's head office is located in the First Industrial City of Dammam with a share capital of (SAR 450,000,000) four hundred fifty million Saudi Riyals. EIC was established to be the holding company for:

1. Saudi Transformers Company Limited ("STC"), which is a limited liability company with a paid-in capital of (SAR 102,750,000) one hundred two million seven hundred fifty thousand Saudi Riyals. It is registered under the commercial registration number 2050006007 dated 7/6/1398H (corresponding to 15/5/1978G) and issued in Dammam, and is fully owned, directly and indirectly, by EIC. STC engages in the manufacture of distribution transformers, compact substations and low voltage distribution panels/boards; and
2. Waha Electric Supply Company of Saudi Arabia ("WESCOSA"), which is a limited liability company with a fully paid-in capital of (SAR 64,000,000) sixty four million Saudi Riyals, registered under Commercial Registration number 2050004182 dated 19/8/1396H (corresponding to 15/8/1976G) issued in Dammam. WESCOSA is fully owned, directly and indirectly, by EIC. WESCOSA manufactures transformers, substations, low and medium voltage switchgear, as well as provides maintenance and technical support.

In 2010G, two new companies were established: Saudi Power Transformers Company Limited ("SPTC") and CG-Power Systems Saudi Arabia ("CGPSSA"). Upon their founding, SPTC was (51%) owned by STC and (49%) owned by CGPSSA. In 2012G, STC ceded ownership of the two companies to EIC, which then became the holding company for STC, WESCOSA, SPTC and a (49%) owner in CGPSSA. For additional details about the establishment of the subsidiaries and joint ventures, please refer to Section 4.6 of this Prospectus entitled "Subsidiaries and Associates."

Following the restructuring of STC and WESCOSA, the Subsidiaries' operations began a reorganization phase to benefit from the operational merger (For more details, please refer to the Section 4.5 of this Prospectus entitled "Evolution of the Ownership Structure of the Company, its Subsidiaries and Affiliates"; whereby STC and WESCOSA manufacturing units are now operating as de-facto divisions of the Company. Moreover, STC and WESCOSA support functions have been merged under EIC to include operations, engineering, sales, marketing, finance, information technology, human resources, administration, logistics, supply, and business development. It should be noted that the Company has two branches in the United Arab Emirates, specifically in the cities of Dubai and Abu Dhabi (for more details, please refer to Section 4.9 of this bulletin, entitled "Assets Outside the Kingdom").

The Company's Key Business Activities

The Company also undertakes its activities through its Subsidiaries and associated companies to manufacture, assemble, supply, repair and maintain electrical transformers, compact distribution substations low voltage switchgears, as well low and medium voltage electrical cable trays and switchgear and other electrical equipment, in addition to providing technical services related to these activities. The Company, through STC and WESCOSA possesses more than 35 years of experience in the manufacture of low and medium voltage electrical transformers and switchgear.

The company sells its products to the Saudi Electricity Company, as well as contractors engaged in the design, supply and implementation of oil and gas sector projects for Saudi Aramco, in addition to petrochemical sector projects, industrial projects, and clients in other sectors. The company owns, through its Subsidiaries, (9) nine production factories divided between the First and Second Industrial Cities of Dammam, and employs more than 1,500 employees in various specialties and skills.

The Company's main activities are divided into four major operational processes:

1. Electrical Transformers: Manufactured by STC, WESCOSA and SPTC. These Subsidiaries manufacture and supply transformers, compact substations and low voltage distribution panels/ boards mainly to utility providers in the Kingdom of Saudi Arabia and other GCC countries, as well as key property developers.
2. Low and medium voltage switchgears manufactured by WESCOSA, which manufactures and supplies a wide range of medium and low voltage switchgears, low voltage distribution panels/ boards, motor control centers, electrical conductors, panel boards, cable bus and bus ducts, relay and protection panels and cable trays. Switchgear products are mainly sold to customers operating in the oil, gas and petrochemicals sector in the Kingdom of Saudi Arabia. Low and medium voltage switchgear products are highly specialized with specifications customized to suit client needs. These products are typically delivered within 6 to 12 months from the date of placing an order.
3. Services and maintenance provided by WESCOSA, which offers after sales services on low and medium voltage switchgear sales, as well as services to customers using other WESCOSA and EIC Subsidiary companies' products in general. The division provides maintenance, repair, inspection, upgrade, study of products, electrical and mechanical systems and related works. It also provides test services for electrical equipment onsite and in projects.
4. Management and construction services provided by CGPSSA, which implements engineering, procurement and construction (EPC) contracts that entail the installation of medium voltage and mobile substations, as well as testing, installation and service thereof.

(For more details about the Company's products and their uses, please refer to Section 4.3 of this Prospectus, entitled "Company's Activities."

Company Ownership Structure

The following table summarizes the ownership structure of the Company before and after the Offering:

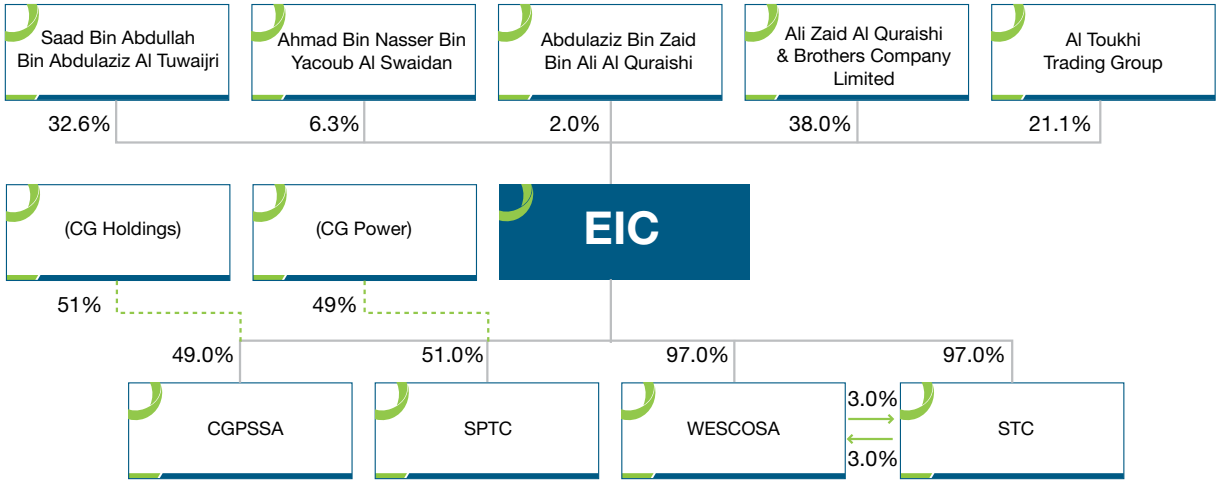
Exhibit 3-A Ownership Structure in the Company Pre and Post Offering

Shareholder	Pre-Offering			Post-Offering		
	Shares	%	Capital (SAR)	Shares	%	Capital (SAR)
Ali Zaid Al Quraishi & Brothers Company Limited	17,100,000	38.0%	171,000,000	11,970,000	26.6%	119,700,000
Saad Bin Abdullah Bin Abdulaziz Al Tuwaijri	14,665,500	32.6%	146,655,000	10,265,850	22.8%	102,658,500
Al Toukhi Trading Group	9,499,500	21.1%	94,995,000	6,649,650	14.7%	66,496,500
Ahmad Bin Nasser Bin Yacoub Al Swaidan	2,835,000	6.3%	28,350,000	1,984,500	4.4%	19,845,000
Abdulaziz Bin Zaid Bin Ali Al Quraishi	900,000	2.0%	9,000,000	630,000	1.4%	6,300,000
Public	-	-	-	13,500,000	30.0%	135,000,000
Total	45,000,000	100.0%	450,000,000	45,000,000	100.0%	450,000,000

Source: EIC

* Listed ownership percentages are approximate.

The following figure illustrates the Ownership Structure of the Company, its Subsidiaries and Associates



Vision and Mission of the Company

Vision

To be the preferred partner for comprehensive power solutions in countries of the GCC and MENA regions.

Mission

- Pursue growth and business development opportunities in the power sector in order to maximize the Company's market share and return on investment, while committing to its corporate social responsibility.
- Expand every effort to satisfy our clients by providing high quality products and services while implementing safe, healthy and environment - friendly standards.
- Attract Saudi nationals to work for the Company, and provide them with training and sustainable growth opportunities.

Strategy

- Work to increase and develop the current production capacity of some of the Company's products and guarantee their quality.
- Develop new products, especially in the switchgear department, and expand the service department.
- Establish and support, with the help of strategic partners, specialized companies in the energy sector.
- Continue to improve the Company's operations through the streamlining of costs and raising the efficiency of operations.
- Invest in new and complementary products inside and outside the Kingdom.
- Bolster the Company's relationship with existing clients, and work towards entering additional selected markets.
- Continue to increase the Saudization rate in technical and administrative positions, through appropriate training programs.

Competitive Advantages

1. Product Diversification and Customization

The Company believes that it possesses a number of competitive advantages and value added benefits that distinguish its products and services from those of its competitors, which have helped EIC become a leader in the low and medium voltage transformer and switchgear market in Saudi Arabia, as well as a leading supplier of transformers to GCC countries. The Company's key competitive advantages include:

EIC offers a more extensive range of products than its competitors, with a capability to manufacture specialized transformers to meet customer-specific needs. Through its diversified product and service offerings EIC is able to offer its customers a one-stop shop for electrical distribution and control equipment and services, allowing it to implement multiple simultaneous contracts with various clients, and service clients in different sectors. In addition, the Company's ability to design and produce customized products has enabled it to achieve higher profit margins than those generated by standardized products.

2. Quality of Products

The Company's products and services are characterized by their high quality consistent with international (IEC) and American (ANSI) standards, making the Company a key and preferred supplier for clients. It is worth noting that, since its inception to date, the Company has not faced any substantive legal claims related to the quality of its products.

3. The Company's Leadership in the Manufacture of Transformers and other Electrical Products

The Company is a considered to be a leading manufacturer of transformers and other electrical products through the manufacturing of products that meet client needs. For example, EIC, through SPTC, is the only Saudi Arabian manufacturer of power transformers with a capacity of up to 100 MVA.

EIC is also considered to be the first company in the GCC and the Middle East to introduce heat resistant transformers (SLIM) under the license from CG Power Systems. SLIM transformers have higher mechanical strength, a very compact design, can be operated at higher temperatures, and are primarily used in schools, hospitals and other indoor applications that satisfy project and small location safety specifications.

It should be noted that EIC is the only local manufacturer of subsurface pump systems used in the oil and water sector. Furthermore, in 2013, it commenced production of special application transformers made completely from stainless steel for use in offshore environments.

4. Flexible Manufacturing Capabilities

EIC is considered to be the possessor of the largest installed manufacturing capacity of transformers in the Middle East; offering a variety of products to meet the needs of major clients for large scale projects. This in turn enhances EIC's competitive position vis-à-vis its competitors, whereby it can modify its product specific production capacity according to changing demand and specification needs.

5. Strong Relationships with Leading Global Companies to Provide Technical Support

EIC has technical agreements with leading international companies to manufacture electrical products (including transformers, compact substations, low and medium voltage switchgears, electrical conductors, etc.), which give EIC access to the latest technologies (for more details, please refer to Section 13.2 of this Prospectus entitled "Summary of Material Agreements"); whereby the Company operates under a licensing agreement with CG Power considered to be one of the world's top ten manufacturers of transformers, possessing a global reputation for innovation and reliability (for more details, please refer to Section 13.2.2 of this Prospectus "Joint Venture Agreements").

EIC also has an alliance with Eaton Corp. (USA) for the design and production of low and medium voltage switchgears. Eaton Corp. is a Fortune 500 company and global leader in power distribution, power quality, control and industrial automation products and services.

Through these technical arrangements, the Company sourced the technical and design expertise, support and technical training of the Company's employees, required to manufacture high quality products to its customers at competitive prices.

6. Regional and International Sales Agents and Representatives

The Company sells and exports its products abroad through agents and sales representatives; whereby WESCOSA and STC sell their products in the UAE through EIC's branches in Dubai and Abu Dhabi. The Company also currently has 12 sales agents and representatives in the MENA region, as well as in South Korea as shown below:

- STC agency agreement for Saudi Transformers Company with Universal Electro-Engineering Company (UNEECO) in Bahrain;
- STC agency agreement with Arabian Construction Engineering Company (ACEC) in Qatar;
- WESCOSA Sales Collaboration Agreement with Venture Gulf Group (Qatar);
- WESCOSA Agency Agreement with Al Jahma Trading Co. (Kuwait);
- STC Agency Agreement with Faddan General Trading and Contracting Co. (Kuwait);
- STC Agency Agreement with Bin Salem Co. Ltd (Oman);
- STC Sales Representative Agreement Al Ashwaal for Electric Trade and Agencies (Yemen);
- STC Agency Agreement with Al Bawadi Trading Co. (Jordan);
- STC Sales Representative Agreement with Al Najah Al Kabeer Co. (Iraq);
- STC Sales Representative Agreement with Nawar Sukkar and Co. (Syria);
- WESCOSA Contractor Sales Collaboration Agreement with Cheonwu Trading Co. (S. Korea); and
- WESCOSA Contractor Commercial Agency Agreement with Egytec Projects (Egypt).

7. Alliances with CG Power as a strategic partner

EIC's alliance with CG Power, formerly known as Pauwels Trafo, dates back to 1980G, when CG Power was a strategic partner in STC. In addition to that, CG Power provides technical support for the manufacture of distribution transformers. This strategic relationship continued even after the CG Power CG Power (when it was known as Pauwels Trafo) sold its stake in STC in 2001G. In 2010G, this alliance was strengthened through the establishment of SPTC, in which EIC owns (51%) and CG Power owns (49%).

8. Long Standing Relationships with the Saudi Electricity Company (SEC)

EIC has enjoyed a long standing relationship with SEC since 1982G, pursuant to which the Company satisfies SEC's needs for electrical products, such as transformers and sub-stations, that are used in SEC projects. For example, the Company supplied SEC with 11,444 transformers in 2011G; 11,593 in 2012G, and 14,260 transformers in 2013G; as well as 3,370 compact distribution substations in 2011G; 2,900 in 2012G and 5,350 in 2013G.

Furthermore, EIC has successfully collaborated with SEC to develop a prototype substation, and develop transformer standards, through the design of a prototype that meets SEC specifications.

9. Long Standing Relationships with Design, Supply and Implementation Contractors for Saudi Aramco oil and gas Sector Projects.

The company enjoys a long-term relationship with design, supply and implementation contractors for Saudi Aramco oil and gas sector projects, dating back to 1985G. The Company is one of the major authorized suppliers for Saudi Aramco projects, where it specializes in the production of special applications transformers which are used in subterranean gas and oil sector pumps. Since 1985G, the

Company has met Saudi Aramco's needs for locally manufactured electrical products and participated in most of Saudi Aramco's projects in Saudi Arabia, through the supply of products and services; which led to the strengthening of the Company's relationship with Saudi Aramco, as well as global construction companies with which it deals, such as Schneider and Hyundai Engineering Co. Ltd, and Schlumberger. For example, in 2010G, the Company supplied 450 special applications transformers used in Saudi Aramco's project in Khurais, which is considered a large number for a single project. It is worth mentioning that these special applications transformers enjoyed great success, which helped the Company supply more of them in subsequent years to different clients. The Company supplied 117 special applications transformers in 2011G, 206 in 2012G, and 240 in 2013G.

10. Local Manufacturing Company

EIC benefits from its status as a local manufacturer for the following reasons:

- EIC is able to offer shorter delivery times and quick response after-sales support which places it in a better position to compete with other manufacturers:
  - Transportation time for a foreign manufacturer can take up to one or two months. Late deliveries to clients result in penalties, in addition to customs and transportation costs, thus reducing margins for international suppliers.
  - On-the-ground presence inside the Kingdom enables the Company to have continuous and direct interaction with its clients, and enables EIC to provide its clients with required services within 24 hours.
  - Provide clients the opportunity to check and follow-up on products, on a continuous and lower cost base throughout the manufacturing process.
- The Company enjoys preferential treatment in catering to many of the local projects, whereby government agencies and some companies such as Saudi Aramco, prefer to deal with domestic manufacturers.

11. Successful Operating Track Record and Recognized Brand Name

Through its Subsidiaries, the Company has enjoyed a successful operating track-record over the past 35 years in the manufacture of low and medium voltage transformers, electrical switchgears and other electrical power distribution products, making EIC one of the largest manufacturers of such products in the region, where its market share amounted to (52%) of the total market for transformers in the Kingdom during 2013G. (For further details please refer to Section 3.3 ("The Company's Estimated Share of the Market") of this prospectus.

12. Positive Financial Position and Cash Flows

The Company enjoys a strong financial position and positive cash flows. Operating cash flows for 2013G reached SAR 241.9 million (SAR 21.6 million in 2012G), enabling it to cover its operational and capital needs, in addition to the disbursement of dividends to its Shareholders.

13. Strong Long-Standing Relationships with Suppliers

EIC has established strong long term relationships with its suppliers allowing the Company to gain from uninterrupted raw material supply at competitive prices.

14. Prominent Board Members and Highly Experienced Management Team

EIC has prominent Board Members, with diverse expertise and long experience averaging 20 years, who define EIC's mission, goals and strategic objectives. In addition, the Board oversees the Company's business to ensure efficiency and effectiveness of future plans in general. EIC has been successful in retaining its senior management team, developing qualified employees, and promoting them to senior positions within the Company, as well as attracting Saudi nationals with experience in the management of large projects.

15. Other Competitive Advantages

- The ability to continuously operate production lines and maximize utilization of its production capacity, which increases operating efficiency. EIC is able to accomplish this due to its stringent quality control checks and efficient design management that limits production inefficiencies.
- Maintenance efficiency contributes in reducing production equipment breakdowns, which leads to a positive impact on the production process.
- The presence of a highly experienced technical staff contributing in the design and manufacture of products that meet the highest technical standards.

Market Overview

About the Market Consultant

The Company has appointed ERAS to conduct a market report covering the sectors in which EIC operates in Saudi Arabia, the GCC and the MENA region ("Market Report"). ERAS is one of the leading consulting firm that provides practical technical consultations to private and public sector companies in several industries and sectors. ERAS was established in 1987G and is headquartered in London, United Kingdom.

The ERAS Market Report is the source of market information and data provided in this Prospectus. Neither ERAS, nor its subsidiaries, shareholders, directors or their relatives own any shares or have any interest in the Company or any of its Subsidiaries or Associates. ERAS has provided and not withdrawn its written consent for the use of its market data and research in this Prospectus. The Market Report was updated in March 2014G and this Prospectus does not include any market developments subsequent to that date.

Market Summary

The Company's operations are dependent on SEC's demand for the Company's products. SEC tenders, for transformers and substations, comprise about (70%) of the Saudi market for such products. Furthermore, other sectors, such as the infrastructure, gas, oil and petrochemical sector, as well as the heavy industries sector have a significant influence on demand for such electrical products. EIC's current focus is on the medium to low voltage distribution market, which includes transformers, compact distribution substations, low and medium voltage distribution panels/boards, cable trays, electrical conductors, and other accessories. The bulk of EIC's revenue comes from the GCC region with the Saudi market being the largest contributor therein.

Market demand for distribution transformers in the GCC and Middle East is driven by demand for electricity, infrastructure growth, expanding cities, development of new industrial and economic cities, as well as replacement of existent aging and inefficient transformers.

In addition, the main factors affecting the transformer and switchgear market include the expansion witnessed in the power transmission and distribution networks, growth of heavy industries such as the oil and gas, petrochemicals, steel and other metals, mega construction projects such as economic cities and commercial centers, as well as the replacement of aging electrical equipment. The following are the main growth drivers expected to have an impact on demand for the Company's transformer and switchgear products in the Kingdom:

- Demographics
  - The growing population of the Kingdom, of which (66%) is under 25 years of age, is expected to contribute to continued demand for housing, which will impact demand for electricity supply and electrical products.
  - Increases in per capita income is expected to have a direct impact on electricity demand.

- Infrastructure
  - The Ninth Development Plan for the Kingdom of Saudi Arabia included plans for investments in various sectors in the amount of SAR 1,440 billion between 2010G and 2014G.
  - Through 2018, SAR 300 billion is expected to be invested in electricity infrastructure within the Kingdom, according to statements issued by the Saudi Ministry of Water and Electricity.
- Real Estate Development
  - According to the Ninth Development Plan, the Saudi government plans to inject more than SAR 100 billion into housing projects between 2010G and 2014G. Furthermore, 200,000 new housing units are expected to be built per year in the Kingdom, so as to reduce the gap between supply and demand for housing over the next ten years.
- Power Generation
  - The CEO of the Saudi Electricity Company recently announced plans to spend a total of SAR 622 billion until 2023G[1], to meet growing demand for power generation, as per the following:
  - SAR 247 billion to be spent in the period from 2014G to 2017G, in order to increase power generation by 18,000 megawatts, and install 234 new transfer stations in the transport sector and more than 20,000 kilometers of power transmission lines.
  - SAR 375 billion to be spent in the period from 2018G to 2023G, in order to increase power generation by 22,000 megawatts, and install 260 new transfer stations and more than 30,000 kilometers of power transmission lines.
  - Since 2003G, the average growth in demand for electricity in the Kingdom was over (7%) annually, and the Saudi Electricity Company expects growth to remain between (7 - 8%) per year until 2023G.

Summary of Financial Information

Exhibit A-4: Summary of Financial Information (SAR)

SAR '000 (figures have been rounded)	2011G	2012G	2013G	March 31, 2013G Unaudited	March 31, 2014G Audited
Income Statement					
Net Sales	962.088	1.062.700	1.285.258	305.080	346.752
Cost of Sales	(762.864)	(863.153)	(1.019.000)	(299.992)	(267.127)
Gross Margin	199.224	199.547	266.258	75.088	79.652
Selling and Distribution Expenses	(38.512)	(41.071)	(38.583)	(9.089)	(12.982)
General and Administrative Expenses	(29.022)	(35.736)	(46.517)	(11.294)	(11.000)
Income from Key Operations	131.690	122.741	181.158	54.705	55.643
Net Income	113.698	108.149	165.963	50.370	55.488
Earnings per Share*	2.53	2.40	3.69	1.12	1.23
Financial Position					
Current Assets	782.049	988.821	895.491	986.852	966.549
Non-Current Assets	149.590	258.010	317.500	273.391	318.454
Total Assets	931.640	1.246.831	1.212.991	1.260.243	1.285.048

1 As published on the website of Aleqtisadiya magazine: http://www.aleqt.com/2014/03/19/article_834585.html

SAR '000 (figures have been rounded)	2011G	2012G	2013G	March 31, 2013G Unaudited	March 31, 2014G Audited
Current Liabilities	361.167	666.349	394.964	633.600	422.099
Non-Current Liabilities	43.419	75.299	273.987	73.105	266.333
Total Liabilities	404.586	741.649	668.942	706.705	688.432
Total Shareholders› Equity	516.278	492.063	541.176	542.033	596.264
Minority Interest	10.676	13.119	2.873	11.505	351
Total Liabilities and Shareholder's Equity	931.640	1.246.831	1.212.991	1.260.243	1.285.048
Cash Flows					
Net Cash from Operating Activities	130.332	21.631	241.898	69.524	55.059
Net Cash Used in Investment Activities	(9.945)	(119.856)	(80.482)	(20.181)	(7.306)
Net Cash from/(used in) Investment Activities	(124.558)	131.410	(182.909)	201	(10.133)
Increase/Decrease in Bank Balances and Cash	(4.171)	33.185	(21.494)	49.544)	37.620
Key Financial Indicators					
Annual Revenue Growth		10.5%	20.9%	-	13.7%
Annual Net Income Growth		(4.9%)	53.5%	-	10.2%
Profit Before Financing Costs, Depreciation, Zakat and Amortization (SAR millions)	147.2	137.3	201.5	59.0	63.5
Gross Profit Margin	10.7%	18.8%	20.7%	24.6%	23.0%
Profit Margin Before Financing Costs, Depreciation, Zakat and Amortization	15.3%	13.0%	15.7%	19.2%	17.6%
Net Profit Margin	11.8%	10.2%	12.9%	16.5%	16.0%
Liquidity Multiplier (Times)	2.2x	1.5x	3.3x		
Return on Equity	22.0%	22.0%	30.7%		
Return on Assets	12.2%	8.7%	13.7%		

Source: Audited Consolidated Financial Statements

* Earnings per share were calculated on the basis of issued shares totaling (45,000,000) forty-five million ordinary shares as of the date of this Prospectus, and on a retroactive basis for the past three years.

Table of Contents

1. Definitions and Abbreviations 1

1.1 General Terms 1

1.2 Technical Terms 3

2. Risk Factors 5

2.1 Risks relating to the Company's Operations, its Subsidiaries and Associates 5

2.2 Risks relating to the Market 16

2.3 Risks Relating to the Shares 17

3. Market Overview 19

3.1 Introduction 19

3.2 Market Analysis 20

3.3 The Company's Estimated Share of the Market 28

3.4 Competitive Landscape 29

4. The Company 33

4.1 Overview 33

4.2 Organizational Description 34

4.3 Company's Activities 34

4.4 Development in Company's Capital 37

4.5 The Evolution of the Ownership Structure of the Company, its Subsidiaries and Associates 38

4.6 Subsidiaries and Associates 41

4.7 Direct Ownership Structure 53

4.8 Overview of EIC Shareholders 53

4.9 Assets Outside the Kingdom 62

5. Corporate Structure and Governance 63

5.1 Resumes of Directors 66

5.2 Board Secretary 71

5.3 Senior Management 72

5.4 Corporate Governance 78

5.5 Board Committees 78

5.6 The Company's Undertakings following Listing Admission 81

5.7 Duties and Responsibilities of the Chairman of the Board, Board Members and the CEO 81

5.8 Employees 85

5.9 Commitment to Saudization 88

6. Management's Discussion and Analysis of Financial Position and Results of Operations 90

6.1 Introduction 90

6.2 Representation by Members of the Board of Directors on Financial Statements 90

6.3 Legal Structure and Overview of Business Activities 90

6.4 Summary of Significant Accounting Policies 91

6.5 Consolidated Income Statement 93

6.6 Statement of Financial Position 111

6.7 Related Parties Dealings 137

6.8 Consolidated Cash Flows 138

6.9 Summary of Financial Statements of Subsidiaries 141

7. Management's Discussion and Analysis of Financial Position and Results of Operations for Six Months Period Ending June 2013G and June 2012G 145

7.1 Consolidated Income Statement 145

7.2 Statement of Financial Position 152

7.3 Related Parties Dealings 162

7.4 Consolidated Cash Flows 163

7.5 Summary of the Financial Statements of Associates 165

8. Dividend Distribution Policy 168

9. Capitalization and Debts 169

10. Use of Proceeds 170

11. Experts Statements 171

12. Declarations 172

13. Legal Information 174

13.1 Summary of Company's Bylaws 174

13.2 Summary of Material Agreements 182

13.3 Related Party Transactions 230

13.4 Participation of Members of the Board in other Companies with Similar or Competing Purposes to the Company 230

14. Description of Shares 234

14.1 Capital of the Company 234

14.2 Increase of Capital 234

14.3 Decrease of Capital 234

14.4 Shares 234

14.5 Transfer of Shares 234

14.6 Re-purchase of Shares 235

14.7 Voting Rights 235

14.8 Shareholders' Rights 235
14.9 Shareholders' General Assembly 235
14.10 Dissolution and Liquidation of the Company 236
15. Underwriting Agreement 237
15.1 Names and Addresses of the Underwriters 237
15.2 Main Conditions of the Underwriting Agreement 237
16. Subscription Expenses 238
17. Subscription Conditions and Instructions 239
17.1 Subscription 239
17.2 Allocation and Refunds 242
17.3 Declarations 244
17.4 Miscellaneous 244
17.5 Shares' Record and Trading Arrangements 245
17.6 Listing and Trading 245
17.7 Saudi Stock Exchange 245
17.8 Entering Orders 245
17.9 Trading of Company's Shares 245
18. Documents available for Inspection 246
19. Auditor's Report 247

Exhibits

Table A-1: Company's Board of Directors v

Table A-2: Expected Offering Timetable xviii

Exhibit 3-A Ownership Structure in the Company Pre and Post Offering xxi

Exhibit A-4: Summary of Financial Information (SAR) xxvii

Exhibit 3-1: Standard voltage range in Saudi Arabia 20

Exhibit 3-2: MENA Demand for Distribution Transformers by Capacity 20

Exhibit 3-3: MENA Demand for Distribution Transformers by Units 20

Exhibit 3-4: MENA Demand for Distribution Transformers by Value 21

Exhibit 3-5: MENA Demand for Switchgear by Value 21

Exhibit 3-6: Rate of American Transformer Failures with Time 23

Exhibit 3-7: Ongoing / Future Projects in the Oil, Gas and Industrial Project Sectors 24

Exhibit 3-8: Company's Distribution Transformers Market Share 28

Exhibit 3-9: Company's Switchgear, Protection Panels, Cable Trays and Services Market Share 28

Exhibit 3-10: Main Competitors in the Saudi transformers market 29

Exhibit 3-11: The market share of the Company and that of its main competitors in the Saudi market for distribution transformers. 30

Exhibit 3-12: Main Competitors in the Saudi switchgear market 30

Exhibit 3-13: The market share of the Company and that of its main competitors in the Saudi market for distribution transformers. 31

Exhibit 3-14: Main Competitors in the Saudi services market 31

Exhibit 3-15: The market share of the Company and that of its main competitors in the Saudi services market 32

Figure 1: The Ownership Structure of the Company, its Subsidiaries and Associates 34

Figure 2: The Company's Main Products and Products Listed Under Each Major Product 35

Table 4.1: The Company's Products, Their Applications and Manufacturing Subsidiary and Associate 36

Exhibit 4-2: EIC Capital Development 37

Table 4-3: Ownership of the two Companies Before the Share Swap 38

Table 4-4 (A) Net Income Used for Valuation 38

Table 4-4 (B) Shareholders' Equity Used for Valuation 39

Table 4-5: Shareholder Ownership Structure in STC and WESCOSA 39

Figure 3: The Ownership Structure of the Company, its Subsidiaries and Associates as at the end of 2010G 40

Figure 4: The Ownership Structure of the Company, its Subsidiaries and Associates 40

Table 4-6: Steps Taken by the Company to Achieve the Goals of the Restructuring Process 41

Table 4-7: STC Capital Development 42

Table 4-8: STC Timeline 42

Exhibit 4-9: STC Factory Production as of 31 December 2013G 43

Exhibit 4-10: WESCOSA Capital Development 44

Exhibit 4-11: WESCOSA Timeline 44

Exhibit 4-12: WESCOSA Factory Production as of 31 December 2013G 46

Exhibit 4-13: SPTC Capital Development 47

Exhibit 4-14: SPTC Factory as at December 31, 2013G 47

Exhibit 4-15: EIC Clients Representing more than (5%) of Company Revenues 48

Exhibit 4-16: Key Suppliers of Raw Material to the Company 52

Exhibit 4-17: EIC Ownership Structure Pre and Post Offering 53

Exhibit 4-18: Ali Zaid Al Quraishi and Bros Co. Ltd.'s Ownership Structure 54

Exhibit 4-19: Al Toukhi Trading Group Ownership Structure 56

Exhibit 4-20: Current Shareholders Directly or Indirectly Owning 5 percent or More in the Company 56

Figure 5: The Company's Activities, main Departments, sub-Departments, and Divisions 58

Figure 6: EIC Directors and Senior Management Structure 63

Exhibit 5-1: EIC Board of Directors 64

Exhibit 5-2: SPTC Board of Directors 65

Exhibit 5-3: CGPSSA Board of Directors 65

Exhibit 5-4: EIC Senior Management 72

Exhibit 5-5: Senior Management of SPTC and CGPSSA 77

Exhibit: 5-6: Audit Committee 79

Exhibit 5-7: Nomination and Remuneration Committee 80

Exhibit 5-8: Summary of Contracts for EIC Senior Management Executives. 83

Table 5-9 Remuneration and Benefits of Directors and Senior Management for Financial Years 2011, 2012 and 2013 85

Exhibit: 5-10: Numbers of Employees 86

Exhibit: 5-11: Saudization Rate 89

Table 6-1: Consolidated Financial Statement for the financial years from 2011 to 2013 93

Table 6-2: Key Financial Indicators for the financial years from 2011 to 2013 94

Table 6-3: Sales as per Subsidiaries and Associates for the financial years from 2011 to 2013 95

Table 6-4: Sales as per divisions for the financial years from 2011 to 2013 96

Table 6-5: Sales as per Transformer Business Units for the financial years from 2011 to 2013 97

Table 6-6: Sales as per customer segments for the financial years from 2009 to 2013 99

Table 6-7: Cost of sales for the financial years from 2011 to 2013 101

Table 6-8: Cost of direct workforce for the financial years from 2011 to 2013 103

Table 6-9: Gross profit margin as per subsidiaries and associates for the financial years from 2011 and 2013 103

Table 6-10: Gross profit margin as per business units for financial years from 2011 to 2013 104

Table 6-11: Selling and distribution expenses in the financial years from 2011 to 2013 106

Table 6-12: General and administrative expenses for the financial years from 2011 to 2013 108

Table 6-13: Other income for the financial years from 2011 to 2013 109

Table 6-14: Financial charges for the financial years from 2011 to 2013 109

Table 6-15: Zakat and Income Tax for Financial Years 2011-2013 110

Table 6-16: Statement of financial position for the financial years from 2011 to 2013 111

Table 6-17: Cash and cash equivalent for the financial years from 2011 to 2013 113

Table 6-18: Operating working capital for the financial years from 2011 to 2013 113

Table 6-19: Trade Receivables and Others for Financial years from 2011 to 2013 114

Table 6-20: Ages of Trade Receivables for Financial years from 2011 to 2013 114

Table 6-21: Stock for Financial years from 2011 to 2013 117

Table 6-22: Ages of Inventory (Raw Materials) for Financial years from 2011 to 2013 117

Table 6-23: Trade and Other Payables for Financial years from 2011 to 2013 119

Table 6-24: Technical Warranties and Punitive Compensations Provision for the financial years from 2011 to 2013 120

Table 6-25: Zakat Provision for Financial years from 2011 to 2013 121

Table 6-26: Non-Current Assets for Financial years from 2011 to 2013 122

Table 6-27: Change in PP&E for 2012 123

Table 6-28: Change in PP&E for 2013 124

Table 6-29: Change in PP&E's Net Book Value for financial years from 2011 to 2013 124

Table 6-30: The Estimated Useful Lives of the Assets 125

Table 6-31: Intangible Assets for the financial years from 2011 to 2013 126

Table 6-32: Investments in Associates for the financial years from 2011 to 2013 126

Table 6-33: Summary of the Company's Loans for the financial years from 2011 to 2013 127

Table 6-34: Summary of the Company's Short- and Long-Term Bank Facilities and Relevant Guarantees 128

Table 6-35: Non-current Liabilities for the financial years from 2011 to 2013 133

Table 6-36: Long-term loans for the financial years from 2011 to 2013 133

Table 6-37: Long-term repayment schedule as at the end of 2013 134

Table 6-38: Employees' End-of-Service Gratuity for the financial years from 2011 to 2013 134

Table 6-39: Shareholders' Equity for the financial years from 2011 to 2013 134

Table 6-40: Letters of credit, letters of guarantee, bank guarantees, and facilities to hedge against FX volatility risk in FX SWAPs as at the end of 2013 136

Table 6-41: Commitments under forward contracts as at the end of 2013: 136

Table 6-42: Operations and balances of related parties for the financial years from 2011 to2013137

Table 6-43: Consolidated statement of cash flows for the financial years from 2011 to 2013 138

Table 6-44: Cash flows from operational activities for the financial years from 2011 to 2013 139

Table 6-45: Cash flows used in investment activities for the financial years from 2011 to 2013 140

Table 6-46: Cash flows used in/ from financing activities for the financial years from 2011 to 2013 140

Table 6-47: Summary of the audited financial statements and key financial indicators of STC for the financial years from 2011 to 2013 141

Table 6-48: Summary of the audited financial statements and key financial indicators of WESCOSA for the financial years from 2011 to 2013 142

Table 6-49: the audited financial statements and key financial indicators of SPTC for the financial years from 2011 to 2013 143

Table 7-1: Consolidated income statement for the three-month period ending on March 31, 2013 and 2014 145

Table 7-2: Key Financial Indicators for the three-month period ending on 31 March 2013 and 2014 145

Table 7-3: Sales as per Subsidiaries and Associates for the three-month period ending on 31 March 2013 and 2014 146

Table 7-4: Sales as per divisions for the three-month period ending on 31 March 2013 and 2014 146

Table 7-5: Sales as per Transformer Business Units for the three-month period ending on 31 March 2013 and 2014 147

Table 7-6: Sales as per customer segments for the three-month period ending on 31 March 2013 and 2014 148

Table 7-7: Gross profit margin as per subsidiaries and associates for the financial years from 2011 and 2013 the three-month period ending on 31 March 2013 and 2014 149

Table 7-8: Gross profit margin as per business units for the financial years from 2011 and 2013 the three-month period ending on 31 March 2013 and 2014 150

Table 7-9: Zakat and income tax for the three-month period ending on 31 March 2013 and 2014 152

Table 7-10: Statement of consolidated financial position for the three-month period ending on 31 March 2013 and 2014 152

Table 7-11: Trade receivables and others for the three-month period ending on 31 March 2013 and 2014. 154

Table 7-12: Inventory for the three-month period ending on 31 March 2013 and 2014 155

Table 7-13: Trade payables and other for the three-month period ending on 31 March 2013 and 2014 156

Table 7-14: Change in the net book value of PP&E for the three-month period ending on 31 March 2013 and 2014 157

Table 7-15: Summary of Company's short-term loans for the three-month period ending on 31 March 2013 and 2014. 158

Table 7-16: Summary of short- and long-term bank facilities and relevant collateral 159

Table 7-17: Long-term loans for the three-month period ending on 31 March 2013 and 2014 160

Table 7-18: Repayment schedule of long-term loans as of 31 March 2014 160

Table 7-19: Shareholders' equity for the three-month period ending on 31 March 2013 and 2014 160

Table 7-20: Letters of credit, letters of guarantee, bank guarantees, and facilities to hedge against FX volatility risk of in FX SWAPs as of 31 March 2014 161

Table 7-21: Commitments under forward contracts as of 31 March 2014 162

Table 7-22: Operations and balances of related parties for the three-month period ending on 31 March 2013 and 2014. 162

Table 7-23: Statement of consolidated cash flows for the three-month period ending on 31 March 2013 and 2014 163

Table 7-24: Summary of the income statement of STC for the three-month period ending on 31 March 2013, and 2014 165

Table 7-25: Summary of the balance sheet for the three-month period ending on 31 March 2013 and 2014 165

Table 7-26: Summary of the income statement of WESCOSA for the three-month period ending on 31 March 2013, and 2014 166

Table 7-27: Summary of the balance sheet of WESCOSA for the three-month period ending on 31 March 2013 and 2014 166

Table 7-28: Summary of the income statement of SPTC for the three-month period ending on 31 March 2013 and 2014 167

Table 7-29: Summary of the balance sheet of SPTC for the three-month period ending on 31 March 2013 and 2014 167

Exhibit 8-1: Dividend Payment History 168

Exhibit 9-1: Company's Capitalization and Debts as at December 31, 2013G 169

Exhibit 13-1: Summary of Lands Owned by the company and its Subsidiaries 225

Exhibit 13-2: Permits Obtained by the Company and its Subsidiaries 226

Exhibit 13-4: Key details of the various trademarks registered by the Company and its Subsidiaries 229

Table No. 14.1: Board members participating in companies conducting similar or competing activities with the Company through their position in the Board or Shareholding in the capital 230

1. Definitions and Abbreviations

1.1 General Terms

Aramco and oil and gas sector contractors	Design, supply and implementation contractors of Saudi Aramco, the oil and gas sector, the petrochemical sector and industrial projects
Board of Directors or Board	EIC Board of Directors
By-Laws	The By-laws of EIC
CAGR	Compound Annual Growth Rate - The year-over-year growth rate over a specified period of time
CG Holdings	CG Holdings Belgium NV
CG Power	CG Power Systems Belgium NV
CGPSSA	CG-Power Systems Saudi Arabia
Chairman	Chairman of the Board of Directors of the Company
CMA or the Authority	The Capital Market Authority, including, where the context permits, any committee, sub-committee, employee or agent to whom any function of the Authority may be delegated
CML	Capital Market Law issued under Royal Decree M/30 dated 2/6/1424H as amended
Companies' Regulations	The Companies' Regulations, issued under Royal Decree No. M/6, dated 22/3/1385H, as amended
Company	Electrical Industries Company
Company's Advisors	Advisors of the Company in relation to the IPO, whose names appear on page (ix) of the Prospectus
Corporate Governance Regulations	The Corporate Governance Regulations of the KSA, issued by the CMA pursuant to Resolution No. 1/212/2006 dated 21/10/1427AH (corresponding to 12/11/2006G), amended by CMA Resolution No. 1/10/2010 dated 30/03/1431H (corresponding to 16/03/2010G), and any amendments thereto
Directors or Members of the Board	The members of the Company's Board of Directors
Exchange	The Saudi Arabian Stock Exchange (Tadawul)
Financial Advisor and Institutional Bookrunner	Samba Capital and Investment Management Company (SAMBA Capital)
Financial Statements	Audited consolidated financial statements for the year ended 31 December 2011G, 2012G, 2013G and Q1 of 2014G, as well as accompanying notes which have been audited by Ernst & Young (Ernst & Young) in accordance with the accounting standards issued by the Saudi Organization for Certified Accountants (SOCPA)
G	Gregorian
GCC	Gulf Cooperation Council
General Assembly	General Assembly of the Shareholders of EIC
Government	Government of Saudi Arabia
H	Hijri

Individual Investors	Individuals who are Saudi Arabian nationals. In addition, Saudi female divorcees or widows from marriage to non-Saudis can subscribe in the names of their minor children, provided that any such woman provides proof that she is the child's mother
Institutional Investors	Includes a number of institutions as follows: 1. Mutual funds established in KSA that are offered to the general public and that invest in securities listed on the Saudi Stock Exchange, if permissible according to the terms and conditions of such funds, in accordance with the provisions and restrictions set forth in the Investment Fund Regulations; 2. Persons authorized to deal in securities as principals, pursuant to the financial adequacy requirements; 3. Companies listed on the Saudi Stock Exchange through portfolios managed by Authorized Persons, as well as banking and insurance companies listed on the Saudi Stock Exchange, in accordance with the rules issued by the CMA, provided that the Company's participation in such companies should not result in any conflict of interests.
ISO	International Organization of Standardization
Lead Manager	Samba Capital and Investment Management Company (SAMBA Capital)
Listing Rules	The Listing Rules issued by the CMA pursuant to Article 6 of the Capital Market Regulations promulgated under Royal Decree No. M/30 dated 2/6/1424H (corresponding to 31 July 2003G), as amended pursuant to CMA Resolution No. 1-36-2012 of 11/8/1434H (corresponding to 25/11/2012G)
Lock-up Period	Persons whose names are listed herein as owners in the Company may not dispose of any Shares for a period of 12 (twelve) months from the date on which trading of the Company's Shares commences on the Exchange. At the end of this Lock-up Period, they may dispose of their Shares only after obtaining prior CMA approval.
Management	The management of EIC
MOCI	Saudi Ministry of Commerce and Industry
MOL	Saudi Ministry of Labor
Net Proceeds	The net proceeds of the Offering after deducting the offering expenses
Offer Price	SAR 54 per Offer Share
Offer Shares	(13,500,000) thirteen million five hundred thousand ordinary shares of EIC
Offering or IPO	The initial public offering of the Offer Shares
Offering Period	The period starting from Tuesday 18/01/1436H (corresponding to 11/11/2014G) for a period of 7 days up to and including the closing day on Monday 24/01/1436H (corresponding to 17/11/2014G)
Official Gazette	Um Al Qura, the official Gazette of the Government of Saudi Arabia
Prospectus	This document prepared by the Company in relation to the Offering
Public	Includes institutional and individual investors
Receiving Agents	SAMBA, NCB, SABB, Capital, Al Rajhi Bank, Banque Saudi Fransi, Riyad Bank, Saudi Hollandi Bank
SABIC	Saudi Basic Industries Corporation
SADARA	Sadara Petrochemical Company
SAR	Saudi Arabian Riyal
Saudi Arabia, KSA or the Kingdom	Kingdom of Saudi Arabia
SEC	Saudi Electricity Company

Selling Agents	NCB, SABB, SAMBA, Al Rajhi Bank, Banque Fransi, Riyad Bank and Alinma Bank
Shareholder	The holder of Shares in the Company
Shares	(45,000,000) forty five million fully paid ordinary shares of the Company with a nominal value of (SAR 10) ten Saudi Riyals each
SPTC	Saudi Power Transformers Company Limited
STC	Saudi Transformers Company
Subscription Application Form	The subscription application form to be used by Institutional Investors and Individual Investors (as the case may be) to subscribe for the Offer Shares
Tadawul	The automated system for trading of Saudi shares
Underwriters	Samba Capital and Investment Management (SAMBA Capital) and Al Rajhi Capital
Underwriting Agreement	The underwriting agreement entered into between the Company, and the Underwriters in connection with the Offering.
WESCOSA	Waha Electric Supply Company of Saudi Arabia

1.2 Technical Terms

ANSI	American National Standard Institute
Bus Duct	Delivers electrical current between electrical equipment
Cable Bus	Cable bus systems provide an efficient, dependable and high quality installation for transmitting power between various electrical equipment
Cable Tray	Cable trays are used to carry and support cables
Compact substations	Self-contained units in steel housing that contain a hermetically sealed transformer, a low voltage distribution panel/board, and connecting components. This may also include a metal clad insulated ring main unit. Power rating up to 3.15 MVA, and used in electrical grids, residential complexes and factories.
Current – A	Flow of electrically charged particles. Current is measured in amperes
Electrical Power	Amount of electrical energy, measured in volt-ampere (VA)
IEC	International Electro Technical Commission
KV	Is a unit of measurement of electrical potential expressed in thousand volt units
kVA	Is a unit of measurement of electrical power expressed in thousand Volt Ampere units
Low and Medium Voltage Switchgear	Are systems used in the control and distribution of electricity, and serve as a circuit breakers to protect electrical circuits and devices.
Low Voltage Distribution Boards	A component of an electricity supply system which divides an electrical power feed into subsidiary circuits, while providing a protective fuse or circuit breaker for each circuit.
Low Voltage Switchgear Trays	Used as holders for low-voltage switchgear in open areas, especially in oil and gas projects
Medium Power Transformers	Transformers with a power rating between 20 MVA and 100 MVA, used to transform electric power in transformation stations, electricity generation stations, industrial projects, oil and gas and petrochemical sectors.
Motor control centers	Motor control centers are used to protect and control power systems in low voltage systems
MVA	Is a unit of measurement of electrical power expressed in mega Volt Ampere units
Pad Mounted Transformers	Type of distribution transformers characterized by their ability to be installed on the ground with a power rating up to 3.15 MVA

Power Transmission	Electric power transmission is a high voltage electric transmission through power grids from generating power plants to substations located near to industrial, commercial and residential areas
Relay and Protection Panels	Relay and protection panels are used to detect overload, short-circuits and other faults in a circuit system to protect electrical equipment
Small Power Transformers	Transformers with a power rating above 3.15 MVA
Special Transformers	Type of distribution transformers used by clients according to specific criteria and special applications. They have a power rating of up to 3.15 MVA
Three Phase Oil-Filled Transformer	Consists of three coils for high voltage and three for low voltage around which oil circulates to cool the coils. The distribution transformers reduce high voltage from the distribution networks to a level appropriate to the end-user's final circuit. Distribution transformers are used in the delivery of electricity to industrial, residential and commercial sectors. They have a power rating of up to 3.15 mega volt-ampere (MVA)
Transformer	A transformer is used to connect electrical energy from a power supply source to a circuit system. Voltage is either stepped down or stepped up before being transmitted through the circuit system
Unit Stations	Modular self-contained units containing an airtight transformer, low voltage distribution board, and relay elements. They do not contain ring main units. Unit stations are used in electrical grids, residential complexes, factories and public utilities. They have a power rating above 1.5 MVA.
Voltage	Voltage is the electrical force that drives the current in circuits. Voltage is measured in Volts

2. Risk Factors

Before deciding whether to purchase the Offer Shares, prospective investors should carefully consider all the information contained in this Prospectus, particularly the risk factors described below. The risk factors are not exhaustive and exclusive, and there could be other risks currently unknown to, or considered immaterial by, the Company that can affect its operations.

The Company's activities, financial position, results, cash flows and its future operations could be adversely and materially affected, if any of the following risks occur, which the Company currently believes to be material, or if any other risks that the Company has not identified or that it currently considers to be immaterial, do actually occur or become material.

Members of the Board of Directors further declare that, to the best of their knowledge and belief, there are no significant risks that can affect decisions taken by investors as of the date of this Prospectus, except as disclosed in this Section.

An investment in the shares of the Company is only suitable for investors who are capable of evaluating the risks and merits of such an investment and who have sufficient resources to bear any loss which might result from such an investment. Prospective investors who have doubts about which actions to take should refer to a financial adviser licensed by the CMA for advice about investing in the shares of this IPO.

In the event that any of the risks that the Company currently believes to be material do occur, or if any other risks that the Company does not currently consider to be material do occur, the value of the Offer Shares will decrease and prospective investors will lose all or part of their investment in the Offer Shares.

The risks described below are not presented in any assumed order of priority that can reflect their expected impact on the Company.

2.1 Risks relating to the Company's Operations, its Subsidiaries and Associates

2.1.1 Availability of Raw Materials

The Company's business is dependent on the reliable import of raw materials for the manufacturing of low and medium voltage transformers and switchgears. Raw materials account for approximately (60%) to (70%) of the total costs of transformers and (75%) of the cost of low and medium voltage switchgears. The cost of raw materials constitutes a major portion of operating costs due to the fact that low and medium voltage transformers and switchgears are the main products of the Company. Copper, silicone iron and aluminum are the primary materials used in the production of the Company's products; while copper is the primary material used in the production of transformer cores, electrical connectors and cable buses. Thus, any shortage in these raw materials and their timely delivery would adversely and materially affect the Company's business, prospects, results of operations and financial position.

2.1.2 Volatility of Prices of Raw Materials and Stocks

The prices of the raw materials used by the Company, including copper, silicone iron and aluminum, are affected by supply and demand and by political and economic circumstances. Consequently, any fluctuation in the prices of these raw materials will have a negative and material impact on the Company's business, prospects, results of operations and financial position. Furthermore, the Company, its Subsidiaries and Associates have an inventory, the price of which is subject to extreme fluctuations. The Company's ability to pass on increases to its customers will be limited if a sharp rise in the price of raw materials or sharp fluctuations occur to the value of the inventory, leading to greater operational costs and lower profits for the Company, its Subsidiaries and Associates. For example, in addition to intense competition, fluctuations in the prices of raw materials in 2012G negatively affected the gross profit margin of the Company as it decreased from (20.71%) in 2011G to (18.78%) in 2012G. The decline was therefore reflected in the Company's net profit margin as it also decreased from (11.82%)

in 2011G to (10.18%) to 2012G. The Company, its Subsidiaries and Associates' business, financial position and results of operations will be materially adversely affected if there is an increase in the price of raw materials, sharp fluctuations in the value of their inventory, or inability to purchase a sufficient quantity of raw materials needed for the production of their products as a result of a rise in prices.

The Company enters into short term hedging contracts with terms not exceeding one year, in order to fix the prices of some raw materials used in the manufacture of its products at the same level at which the Company prices the product. These hedging contracts do not cover all of the Company's raw materials purchases. As a result, the Company does not guarantee that entering into these contracts will prevent any losses the Company will be exposed to, due to sharp fluctuations in the prices of raw materials, which will have an adverse effect on the Company's business, financial position and results of operations. In addition, the hedging contracts entered into by the Company expose it to risks in the event that the market price of raw material prices falls below the price agreed upon in the hedging contracts, which in turn would adversely affect the profitability, results of operations, future prospects and financial condition of the Company.

2.1.3 Risks relating to the Land located near Dammam Second Industrial City

In March 2007G, the Company purchased an empty piece of land consisting of four plots with a total surface area of 68,227 m^2 located near Dammam Second Industrial City, to the north of Dammam Highway and west of the Military City, to be used in its expansion plans. This land was purchased in the name of Saud Al Shallali (former Company CEO) for a total amount of SAR 6.3 million so as to facilitate the administrative procedures of the purchase process, in anticipation of the transfer of the land's ownership to the Company. As of the date of this Prospectus, the land has not been registered in the name of the Company due to a prohibition by the Ministry of Justice upon the sale and purchase of land within the area where the land is located. Moreover, Saud Al Shallali is no longer CEO of the Company and, the Company's failure to resolve issues relating to the registration of the said land will lead to the value of the land being written-off from the Company's assets, which will negatively impact the Company's financial position.

2.1.4 Risks relating to the Losses of the New Subsidiaries and Associates

The value of the Company's investment in each of CGPSSA and SPTC amounts to SAR 5.5 million and SAR 15.4 million respectively, representing (49%) and (51%) of the entire investment in these companies, in addition to an amount of SAR 98.5 million borrowed by SPTC from the Saudi Industrial Development Fund and from local commercial banks by the end of 2013G. The Company committed to guaranteeing (51%) of these loans.

CGPSSA began providing services in 2012G and SPTC started operational production in 2013G. (For more details, please refer to Sections 4.6.7 and 4.6.10 of this Prospectus entitled "Saudi Power Transformers Company" and "CG Power Systems Saudi Arabia (Associate Company)" respectively). None of them have experience and an operational track record in the products and services provided. CGPSSA recorded a net loss of SAR 4.3 million representing (37.8%) of its capital by the end of the first quarter of 2014G. While SPTC recorded a net loss of SAR 29.5 million, representing (97.6%) of its capital by the end of the first quarter of 2014G. SPTC continues to incur losses. (For more information, please refer to Section 13.2.2.2 of this Prospectus entitled "Manufacturing Joint Venture Agreement Between STC and CG Power to Establish the Saudi Power Transformers Company (SPTC)"). In case these companies continue to incur losses during the coming financial years, this will have a negative and material impact on the possibility of repayment of the loans, recovery of the Company's invested capital, or that the Saudi Industrial Development Fund ("SIDF") and the commercial banks demand that the Company repays the guaranteed loans, which will adversely affect the Company's financial position and financial results.

2.1.5 Risks Relating to the fact that Subsidiaries and Associates are Newly Formed and Lack Operations Records

In 2010G, SPTC was established as a Subsidiary and CGPSSA as an Associate. The Company owns (51%) and (49%) of the two companies respectively. Due to the fact that these two companies were newly established, their commercial operations started recently, with CGPSSA commencing to provide services in 2012G and SPTC in 2013G (for more information, please refer to Sections 4.6.7 and 4.6.10

of this Prospectus entitled "Saudi Power Transformers Company" and "CG Power Systems Saudi Arabia (Associate Company)"). These two companies therefore lack an operational record and expertise relating to the activities, products and services that they offer. As a result, there are no guarantees that these companies' operations will be successful or that they will achieve profits in the future. If the Company fails to successfully and profitably operate these two companies, this will have a negative and material impact on its ability to repay bank obligations, the loan provided by the SIDF, as well as the Company's recovery of invested capital. This will also lead to the Company being required to pay any guarantees given for bank facilities and SIDF financing, which will negatively impact the Company's financial position and financial results.

2.1.6 Reliance on the Transformers and Substations as Main Product

The Company, through its Subsidiaries and Associates, manufactures transformers and substations as a main product. Transformers and substations comprised (77.7%), (75.9%) and (72.7%) of the total revenues of the Company during 2011G, 2012G and 2013G respectively. As a result, if there is a: decline in the demand for transformers and substations, failure to award tenders to the Company, critical interruption in the manufacture and sale of transformers and substations, or inability of the Company to deliver these products to its clients in a timely manner, then this will have a material adverse effect on the future business of the Company, the Company's market share, financial results, prospects, financial position and Share price.

2.1.7 Risks Relating to Profit Margin Fluctuations

The Company recorded fluctuations in its profit margins over the past five years as a result of multiple factors, including competition in the market, prices of raw materials, the cost of manufacturing products, cost of labor, as well as other factors. There is no guarantee that fluctuation in the Company's profit margins will not recur, which would have a material adverse effect on the Company's financial future, outlook, financial position, share price, and ability to distribute dividends to future shareholders future.

2.1.8 Risks Relating to the Company's Declining Share of the Distribution Transformers Market

The Company's market share of distribution transformers in Saudi Arabia amounted to (59%), (56%), and (52%) in 2011G, 2012G, and 2013G respectively. This decline is attributed to the intensity of competition in the market by other producers of distribution transformers. There is no guarantee that the annual decline in the Company's market share will not continue in the future, and lead to material adverse effects on the Company's future business, financial results, outlook, financial position, and stock prices.

2.1.9 Reliance on Technical Support and Licensing Agreements

STC, WESCOSA, and SPTC rely on technical support agreements with CG Power, an international company specialized in manufacturing transformers and technical innovation. Furthermore, WESCOSA relies on agreements with Powell, Eaton Electric and Cutler Hammer, which provide specific technologies used in electric switchgears and other Company products. WESCOSA also relies on a licensing agreement with Gustav Company for the design, planning and manufacturing of low voltage switchgear. In addition, STC relies on a joint venture agreement with CG Holdings to establish CGPSSA (For more details, please refer to Section 13.2 of this Prospectus under the title "Summary of Material Agreements"). The Subsidiaries depend on these agreements and technologies made available through these agreements to manufacture (30%) of their products. Moreover, some of the terms of these agreements stipulate that the approval of the technical support provider or licensor must be obtained prior to implementing a change in the ownership structure of the Company; approval that some of these companies have not given yet. Therefore, any change in the relationship of the Company, its Subsidiaries or Associates with these key technology providers or licensors, or any substantial violations resulting in the termination of any of these agreements, as well as any termination or non-renewal of these agreements for any reason whatsoever, will result in the inability of the Company to provide the desired designs for the Company's products, which satisfy the requirements and needs of its clients; in addition to the inability of the Company, its Subsidiaries and Associates to obtain technical and operational support services and training, which would lead to an interruption in the production of electrical transformers, switchgears and other products; as well as the Company's failure to meet

its obligations towards its clients, which would have a negative impact on the Company's business, financial results and share price.

2.1.10 Reliance on Key Suppliers

The Company, its Subsidiaries and Associates rely on major local and international suppliers of raw materials, equipment and services. The Company, its Subsidiaries and Associates do not have long-term agreements with key suppliers, other than the technical support agreements with Powell, Eaton Electric and Cutler Hammer. (For more details, please refer to Section 13.2 of this Prospectus entitled "Summary of Material Agreements"). Thus, if one of these key suppliers decided to terminate its relationship with the Company and its subsidiaries, the Company and its Subsidiaries would face difficulties in replacing the supplier with another that is as qualified and offers similar prices and quality. The Company, its Subsidiaries and Associates compete with other companies in order to obtain raw materials, equipment and services from these suppliers. Suppliers who are able to adequately supply the requirements of the Company, its Subsidiaries and Associates, are limited; which would increase the price to be paid by the Company and its Subsidiaries for any required services. It is likely that the Company and its Subsidiaries will not be able to pass this increase to the clients.

The results of operations, the prospects and financial position in general of the Company, its Subsidiaries and Associates would be negatively and materially affected if the Company, its Subsidiaries and Associates were unable to maintain ongoing relationships with these key suppliers, if the conditions under which the Company and its Subsidiaries and Associates purchase raw materials, goods and services from these suppliers, become unfavorable; or if these suppliers were unable to adequately fulfill their obligations under the supply agreements.

2.1.11 Reliance on SEC, Aramco Contractors and the Oil and Gas Sector as Key Customers

The business of the Company, its Subsidiaries and Associates is primarily based on the supply of transformers, switchgears and other products to the Saudi Electricity Company, Aramco contractors and the oil and gas sector. The percentage of the Company's revenues from SEC amounted to (52.6%), (39.2%) and (48.7%) of the Company's total revenues for 2011G, 2012G, and 2013G respectively; while the Company and its Subsidiaries' sales to SEC amounted to SAR 505 million, 416 million and 627 million during the same period. The sales of products, manufactured by the Company and its Subsidiaries, to Aramco contractors and the oil and gas sector amounted to (18.1%), (19.5%) and (25.9%) of Company's total revenues for 2011G, 2012G and 2013G respectively; while the Company's sales to Aramco contractors and the oil and gas sector amounted to SAR 174 million, SAR 208 million, and SAR 333 million in the same period. The Company, its Subsidiaries and Associates do not have long-term contracts with SEC, Aramco contractors or the oil and gas sectors, and most of their activities are conducted through tenders and the implementation of purchase orders. In addition, the Saudi Electric Company began restructuring its activities on 7/2/1433H (corresponding to 1/1/2012G)[2], whereby it will establish subsidiaries each of which will be specialized in a specific business field. Furthermore, SEC announced in a press conference[3] that six companies would arise as a result of this restructuring effort, including one speicliazing in the transmission sector, one in the distribution sector, and four in the generation sector. There are no guarantees that these changes to SEC's structure will not affect the volume of demand for the Company's products.

Any decline in the demand for the Company, its Subsidiaries or Associates' products by SEC, Aramco contractors and the oil and gas sector, or the failure of SEC, Aramco contractor and oil and gas sector to award tenders to the Company, would lead to decreased sales and profits, as well as lower profit margins and fluctuations thereof. They would also have a material adverse effect on future Company business, the Company's market share, financial results, prospects, financial position and Share price.

2.1.12 Non-commitment of the Company, its Subsidiaries and Associates to the Quality Standards of Electrical Products

Some clients require that the Company's products be IEC complaint, while others require that they be ANSI compliant. As a result, the Company, its Subsidiaries and Associates manufacture their products

2 Based on information published on the Saudi Electricity Company's website http://www.se.com.sa/cservices/ar/News.aspx

3 Based on information published on Al Riyadh newspaper's website http://www.alriyadh.com/695661

according to the relevant international standards, as the electrical transformers and switchgears are produced according to the International Standards (IEC) and the American Standards (ANSI). It is possible that the Company, its Subsidiaries and Associates will encounter technical problems during the testing of the products, during field operations, or experience delays during testing for any reason whatsoever, including technical reasons related to the company/companies providing technical support, which would lead to the failure of quality control, in addition to the failure of the Company to maintain and service its products properly. The Company relies on the ISO 9001 and ISO 14001 quality certifications in order to ensure the quality of products that it manufactures (for more details, please refer to Section 13 of this prospectus entitled "Legal Information"). The Company renews its ISO quality certification once every 3 years. The agency that issued the certification conducts annual visits to the Company in order to record observations and notify the Company of thereof. It is possible that the Company would lose its ISO certification if the same observations repeatedly recur.

The Company's reputation will be harmed, and its sales to SEC and Aramco contractors and the oil and gas sector will be impaired if any of the products fail to pass quality control tests, if the Company was unable, for any reason, to service and maintain its products to the highest standards, if there were any problem or perceived problem with the Company's testing and maintenance of products, or if the Company loses its certifications and approbations, leading to material adverse effects on the Company's business, revenues, prospects, results of operation, financial position or Share price.

2.1.13 Risks relating to Exchange Rate and Interest Rate

The Company manages its business in different currencies. In addition to the Saudi Riyal, the Company uses the Euro and the American Dollar for the purchase of raw materials. The value of the Company, its Subsidiaries and Associates' purchases in Euro represents (6%) of the Company's total purchases of raw materials. It is likely that exchange rates will fluctuate according to regional or global developments, and any material change in the value of currencies used by the Company, its Subsidiaries and Associates will cause changes in product price and cost, and thus negatively affect the Company's profits.

Some credit facilities offered to the Company, its Subsidiaries and Associates are based on variable rates. Any rise in interest rates would have a negative impact on the Company's results of operations, prospects and financial position in general.

2.1.14 Environmental Liabilities

There are certain risks inherent to the Company's business that would potentially expose it to liability under environmental laws. The process used for the manufacture of transformers and switchgears necessarily requires the use of certain chemical and hazardous substances, such as transformer oil and certain flammable solvents. Accordingly, there is a potential risk that harmful substances will escape into the environment, resulting in pollution, damage to or destruction of the natural environment, whereby the insurance coverage will not cover damages resulting from the Company being subjected to penalties or having to incur costs related to these environmental responsibilities.

The Company's business is subject to certain laws and regulations that govern environmental protection and these laws and regulations are subject to change from time to time. If the Company does not comply with current or future environmental laws and regulations, the Company will be required to make significant unanticipated capital and operating expenditures to bring its operations into compliance. It is worth mentioning that the Company lacks the environmental certificates issued by the authority that governs the Company's factories; namely the Meteorological and Environmental Protection Administration (For more details, please refer to Section 13.2.5 of this Prospectus entitled "Licenses, Permits and Certificates"). If the Company fails to comply with applicable environmental laws and regulations, governmental authorities will seek to impose fines and penalties on it or to revoke or deny the issuance or renewal of operating permits and private parties will seek compensation from the Company. Under those circumstances, the Company might be required to curtail or cease operations, conduct site remediation or other correction action, or pay substantial compensation, which would have a material adverse effect on the Company's business, prospects, results of operations and financial position.

2.1.15 Health, Safety and Work Environment Risks

The Company's business is subject to certain laws and regulations that govern health and safety, which require receiving Civil Defense permits. The Company and WESCOSA's Civil Defense permits are expired, and STC has not obtained any such permits (for more information please refer to Section 13.2.15 of this Prospectus entitled "Licenses, Permits and Certificates"). However, there is still potential risk on persons and property due to the use of transformer oil and other flammable solvents, which will continue to exist even if Civil Defense permits are issued to the Company, Subsidiaries and Associates. Such risks include incidents, operational hazards and failure to comply with health and general safety policies. The consequences of any of these incidents would lead to personal injuries, loss of life, damage and/or destruction of property, disruption of the Company's business activities, and financial claims, leading to losses occurring that would result in a material adverse impact on the Company's business, prospects, results of operations, financial position or Share price.

In the event where the Subsidiaries and Associates were unable to obtain Civil Defense licenses or in case such laws and regulations become more stringent or the terms of the Civil Defense licenses become more onerous, the Company, its Subsidiaries and Associates will not be able to comply with any applicable requirements, which will lead to suspended operations and increased costs. Under these circumstances, the Company might be required to curtail or cease its operations or pay penalties and penalties which would have a material adverse impact on the Company's business, prospects, results of operations, financial position or Share price.

2.1.16 Product Liability

Design defects in transformers and switchgears manufactured by the Company are possible. The Company's technologies and products use transformer oil or other materials that would leak and combust if ignited by another source. Any accidents involving the Company's transformers or switchgears would result in prosecution and financial claims. The manufacture and sale of products that do not conform with specifications imposed by the Saudi Electricity Company or other clients, would lead to product recalls. Any technical defect in the design or manufacturing of products, product defects or any accident of leak or combustion related to the Company's products, would adversely affect the demand for the product, expose the Company to legal prosecution or claims and have a negative impact on the Company's business, reputation, prospects, results of operations and financial position.

2.1.17 Emergence of New Technologies

Technologies and processes are continuously being developed, which have the potential to impact the level of competition in the transformers industry. Therefore, it is possible that in the future, new technologies would be developed and existing technologies improved. In addition, it is possible that SEC will change its adopted technologies and technical specifications considering the various SEC companies have merged with the Public Electricity Corporation. As a result, the Company has implemented changes to its product specifications to satisfy SEC needs.

If SEC did make fundamental changes to its required specifications, and the Company were unable to keep pace with them or obtain them, this would render the manufacturing technologies used currently by the Company unusable. The development of new technologies would require investment in new machinery and equipment to ensure that the Company remains able to take advantage of technological advancements. If the Company, its Subsidiaries or Associates were unable to invest as required, this would materially and adversely affect the Company's business, prospects, results of operations, financial position or Share price.

2.1.18 Risk of Business Disruption due to Force Majeure

It is possible that the Company's machinery, equipment, sites or supplies, including electricity, will be exposed to fire risks, natural disasters, extreme weather conditions or other events known as force majeure, that will not be covered by the insurance. In the event of any of these incidents, the Company's production will be disrupted and its operations affected, which would materially and adversely affect the Company's business, prospects, results of operations, financial position or Share price.

2.1.19 Risks Relating to the Company's Business and Contracts

A portion of the Company's income comes from providing products and systems for long-term projects for Aramco contractors and the oil and gas sectors, in their capacity as key clients. These contracts are based on fixed prices or for EPC turnkey projects, knowing that these projects require extended periods of time, ranging from 6 to 12 months, to be completed. Revenues, cost and gross profit of such contracts will differ significantly from the original expectations of the Company due to changing circumstances during the contract implementation periods, for example but not limited to, unexpected technical problems in the equipment supplied or developed by the Company or that require incurring additional expenses for the fixing thereof, changes in the cost of the components, materials or manpower, amendments to projects and resulting unexpected costs related thereto. These risks are heightened whenever the duration of the project is extended, as the risks can increase upon the change of the circumstances which the Company originally bid and tendered a price, in a manner that increases its costs. In the event of any of these circumstances, the Company's operations and expected project revenues would be affected leading to material adverse effects on the Company's business, prospects, results of operations, financial position or Share price.

2.1.20 Risks Relating to Client Contracts

Under their contracts with clients, the Company and its Subsidiaries will have to design products that meet pre-agreed upon client requirements and specifications that must be delivered within a specific deadline. As a result, if the Company and its Subsidiaries' products fail to meet the agreed upon contractual designs or specifications, or if the Company or its Subsidiaries fail to meet required quality standards or fail to adhere to the deadlines set by the clients, then, the Company will lose the business of those clients, which will negatively impact its reputation; leading to material adverse effects on the Company's business, prospects, results of operations, financial position or Share price.

In addition, the Company sometimes designs, develops and manufactures special products that must satisfy technically advanced specifications used by its clients in various environments. The Company or its Subsidiaries' inability to develop designs or products according to agreed-upon requirements and specifications within the set deadline will have material adverse effects on the Company's reputation, business, and results of operations.

2.1.21 Risks Relating to Insufficient Insurance Coverage

The Company, its Subsidiaries and Associates keep insurance policies covering their assets, and providing general third-party liability insurance. (For more details on the insurance policies, please refer to Section 13.2.6 of this Prospectus entitled "Insurance"). There is no guarantee that these insurance policies will be sufficient at all times and in all circumstances, and that the insurance coverage would be sufficient in all cases to cover claims related to risks covered by insurance policies, or that the Company will be able to maintain insurance that covers amounts deemed necessary, adequate or in installments that it considers to be appropriate. It is possible that the Company will not be able to successfully establish its claim on any particular liability or loss according to the applicable insurance policies because of the exclusions or conditions set in the insurance coverage. This would compel the Company to pay for losses resulting from these incidents, which might materially and adversely affect the business and results of operational and financial activities of the Company, its Subsidiaries and Associates.

The insurance policies usually contain some exclusions and limitations and will not provide full coverage against all potential risks. The Company being exposed to any of these exclusions, limitations or liabilities that are not insured at all or not adequately insured, would lead to a cost increase and would materially and adversely affect the Company's business, financial position and results of operations.

2.1.22 Risks Relating to Bad Debts and Credit Risks

The financial strength and operating cash flow of the Company, its Subsidiaries and Associates depend on the credit worthiness of their clients. The total revenues generated from the Saudi Electricity Company, Aramco contractors and the oil and gas sector represented the biggest part of the Company's revenues amounting to (75%) of total revenues in 2013G, while the total revenues generated from the Saudi Electricity Company, Aramco contractors and the oil and gas sector amounted to SAR 311 million, representing around (90%) of the total revenues during the first quarter of 2014G.

The Company, its Subsidiaries and Associates use a specific system when billing and collecting amounts due for their business and products; as they generally require their customers to pay a first payment upon request of the product (often 10%), a payment upon completion of a part of the works or manufacturing of the product (often 15%), a payment after delivery (often 65%) and a subsequent final payment (often 10%). Conversely, when dealing with SEC, the Company and its Subsidiaries do not apply the aforementioned payment scheme. For, in this case, payment is made according to procedures adopted by the SEC in relation to its contracts, which differ from one contract to the other, based on the duration and scope of the project. The payment of the amounts due to the Company, its Subsidiaries and Associates from SEC, Aramco contractors and the oil and gas sector in a timely manner is a matter of great importance to the Company's cash flows. Furthermore there can be no assurance that the Company will be able to correctly evaluate the current financial condition of its clients and to accurately determine the ability of such parties to fulfill their relevant financial obligations. A significant number of clients would experience poor financial performance; as on 31/03/2014G, the Company considered a total amount of SAR 12.3 million as bad debts, representing (2.8%) of total accounts receivable and (3.5%) of total sales. If any of the clients of the Company, its Subsidiaries and Associates were to materially default on or delay in making their payments, the financial position, operating cash flows and profitability of the Company, its Subsidiaries and Associates will be adversely affected, along with the Company's business, prospects, results of operations, financial position and Share price.

2.1.23 Risks Relating to Failure to Receive and Renew Required Licenses, Certificates and Permits

The Company, its Subsidiaries and Associates have to obtain and maintain all appropriate licenses, permits, certificates and regulatory consents in respect of their activities in the transformers and electricity sectors, and the industrial sector. These licenses, certificates and permits include the industrial license of the Company and its Subsidiaries and Associates, SAGIA licenses, registration certificates of the Company and its branches issued by the Ministry of Commerce and Industry, trademark certificates (if applicable), as well as Saudization, Zakat, Civil Defense and Environmental Rehabilitation certificates. The Company is also subject to periodic review and evaluation by the relevant ISO issuing organization, whereby the review will be conducted at least once per year by this organization.

Most of the Company's licenses, certificates and permits are subject to conditions under which the licenses, certificates and permits can be suspended or terminated if the Company fails to comply with any requirements. Furthermore, when renewing or modifying the scope of a license, certificate and permit, there is no guarantee that the relevant authority will renew or modify the license, certificate or permit and that it shall not impose conditions that will adversely affect the Company's performance, if it did renew or modify the license, certificate or permit.

In the event the Company, its Subsidiaries or Associates failed to renew a license, certificate or permit, or failed to obtain any of the licenses, certificates and permits necessary for its activities, or if any of its licenses, certificates and permits were suspended or terminated, or any of its licenses, certificates and permits were renewed on terms unfavorable to the Company, or if the Company were unable to obtain additional licenses, certificates and permits required in the future, a suspension of the Company's works will ensue, resulting in a disruption of the Company's operations, and additional costs being incurred, which would adversely and materially affect the Company's business, prospects, financial position and results of operations.

2.1.24 Reliance on Senior Management and Key Personnel

In order to enable the Company to maintain its competitive edge, it needs to employ people who are highly skilled and who possess various expertise and leadership capabilities. In 2014G, the Company employed a CEO who would make additional efforts toward the daily management of the Company's business to guarantee the Company's commitment to growth and profitability. Moreover, most of the Company's executives are non-Saudis, which increases the risk of losing their services in the event the Company were unable to achieve the necessary job Saudization rates, or failed to attract the additional foreign expertise that the Company would eventually need.

In the employment of qualified people and people with skills and expertise, the Company competes with other companies in the transformers and electricity sectors, the industrial sector in general, as well

as other sectors. Whereas the sectors in which the Company operates are considered developing, there is a difficulty in finding and hiring qualified people or people with skill and knowledge of the Company's business in the transformers and electricity sectors, as well as the industrial sector in general. It is also possible that the Company will be unable to attract and retain the services of these key personnel in the future, resulting in a material adverse effect on the Company's operations, prospects, financial position, results of operations and Share price.

2.1.25 Experience in Managing a Public Joint Stock Company

Since its incorporation as a closed joint stock company, EIC has been managed by senior employees possessing limited, as well as employees possessing no experience at all in the management of public joint stock companies and the procedures of compliance with the rules and regulations related to joint stock companies listed on the Saudi Stock Exchange. It is incumbent upon the Company to ensure its commitment to the regulatory provisions related to disclosure, imposed on the companies listed on the Saudi Stock Exchange. In the event that the Company did not abide by those disclosure and transparency requirements, it shall be subject to fines and penalties imposed by the Exchange, which would materially and adversely affect the Company's business, prospects, financial position and results of operations.

2.1.26 Financing and Credit Facilities Risks

The Company entered into credit facilities agreements with Riyadh Bank, Al Rajhi Bank, Saudi Investment Bank, the National Commercial Bank, Samba Financial Group, Saudi Hollandi Bank, Banque Saudi Fransi, Saudi British Bank and Gulf International Bank, to finance some of its business activities and expand its various undertakings. The company heavily relies on credit facilities to finance its working capital and capital expansions. The total credit facilities, including bank guarantees, available to the Company, its Subsidiaries and Associates, amount to (SAR 2,252,500,000) two billion two hundred and fifty two million five hundred thousand Saudi Riyals, of which, (SAR 561 920 893) five hundred and sixty-one million nine hundred and twenty thousand eight hundred and ninety three Saudi Riyals have been used as of 30/6/1435H (corresponding to 31/03/2014G). (For more details, please refer to Section 13.2.3 of this Prospectus "Summary of Material Financing Arrangements").

The indebtedness incurred by the Company, its Subsidiaries and Associates to finance their business exposes the Company to risks that include the inability to repay its debt, which can lead to an increased cost of financing (interest), and the loss of pledged assets, which would negatively and materially affect the Company's business, financial position and operating results.

These banks shall have the right, according to the relevant credit facilities agreements, to cancel, suspend, reduce or request repayment of all loan amounts at any time without warning. There is no guarantee that these banks will refrain from taking such measures against the Company. This will adversely and materially affect the Company's business, financial position and results of operations due to their dependence on these facilities.

Some of the credit facilities also include violation clauses under which the respective bank shall have the right to demand immediate payment of the facilities. Some of these violation clauses include the death or withdrawal of a shareholder from the Company. The credit facilities can be terminated by any of the banks if all the conditions described therein cannot be met. In addition, most of the financing agreements include a clause prohibiting a change in ownership without first notifying and receiving the approval of the funding entity concerning the change in the Company's ownership structure. The Company cannot guarantee that it will be able to obtain the remaining necessary approvals, leading to the possibility of the funding entities terminating said funding to the Company. Any termination of the credit facilities can adversely and materially affect the Company's business, prospects, financial position and results of operations.

Also, in implementing their future expansion plans that aim to develop their operations and maintain their competitive edge, the Company, its Subsidiaries and Associates will require additional bank funding. If this is the case, it is possible that additional funding will not be available as a result of their financial situation at the time, or due to the inclusion of their existing credit facilities restrictions that limit their ability to carry additional debt and impose upon them financial covenants for the purpose of compliance with certain financial ratios. Furthermore, if required credit facilities are in fact available,

they can entail additional conditions and commitments that the Company, its Subsidiaries and Associates must comply with. The Company's needs for additional funding are also dependent on its capital, financial position, cash flows and results of operations. Therefore, the Company cannot affirm that additional funding will be easily available to it. The inability of the Company, its Subsidiaries and Associates to obtain additional financing in the future adversely and materially affect the Company's business, prospects, financial position and results of operations.

In addition, lenders can require immediate repayment of debts if the Company violated any of its debt related commitments and conditions in the future. And, if the debt is secured by mortgaged assets, lenders shall be entitled to act upon said mortgaged property or assets. In addition, if one of the lenders demanded that the Company immediately repays its loans, it is then likely that other lenders will demand immediate payment of the debt owed to them as well. In such a case, it is uncertain whether the Company will be able to obtain alternative and sufficient funding to repay its debts; resulting in an adverse effect on the Company's business, prospects, financial position and results of operations results.

2.1.27 Risks Relating to Demand for the Repayment of Bank Guarantees

The Company, its Subsidiaries and Associates provide bank guarantees to secure advance payments from their clients and the materials procured by them for the implementation of their works and the manufacturing of their products. Potential liabilities as at 31/3/2014G amounted to a total of (SAR 194,825,061) one hundred ninety four million eight hundred twenty five thousand and sixty one Saudi Riyals that are not included in the Company's financial position (For more details, please refer to Section 13.2.3 of this Prospectus "Summary of Material Financing Arrangements"). In the event that the Company was to default on various secured obligations and the bank guarantees were called upon, this would result in the incurrence of significant contingent liabilities. In such a case, there can be no assurance that the Company would be able to access sufficient funding to meet such payment obligations to the banks. Therefore, the calling on of a significant number of bank guarantees in connection with the Company's obligations will have a material adverse effect on the Company's business, prospects, results of operations, financial position and Share price.

2.1.28 Risks Relating to an Inability to Comply with Saudization Requirements

Compliance with Saudization requirements is a Saudi regulatory requirement necessitating that all companies active in the KSA, including the Company, employ and maintain a certain ratio of Saudi personnel among their staff. In accordance with the instructions of the Ministry of Labor issued on 01/05/1423H (corresponding to 10/08/2002G), the Company shall obtain a certificate to this effect from the Ministry of Labor. It is possible that the Ministry of Labor will decide to impose stricter Saudization policies in the future. (For more details, please refer to Section 5.9 entitled "Commitment to Saudization").

The Company's failure to comply with the adopted Saudization policies and ratios will lead to its inability to attract sufficient non-Saudi employees and manpower for its projects, which would adversely affect the capacity of the Company to run these projects, as well as the Company's operations, ability to meet its obligations, profitability, financial performance and results.

2.1.29 Risks Relating to Labor not Sponsored by the Company

The Company relies on selected labor provided by companies under special service contracts for the operation and maintenance of some business services and departments where production levels fluctuate due to the nature of the product sector, such as switchgears. As a result, the Company's dependence on this labor force has increased in previous years, due to the rise in manufacturing activities in the switchgear sector. This labor force numbers 303 workers representing (19.8%) of total direct labor. The Company's business, ability to meet its obligations, profitability, financial performance and results will be negatively affected if this labor force becomes unavailable for any reason.

2.1.30 Intellectual Property Risks

The Company registered five trademarks in KSA. Any event that would cause substantial damage to the reputation of any trademark of the Company, its Subsidiaries or Associates, would have an adverse

effect on the value of these trademarks and consequently the revenues resulting from the use of such trademarks in the Company's business. Any breach, unauthorized or illegal use of the Company's intellectual property rights will adversely and materially affect the Company's business, prospects, financial position, results of operations and cash flows.

STC and WESCOSA concluded technical assistance agreements (for more details on these agreements, please refer to Section 13.2 of this Prospectus "Summary of Material Agreements"), under which STC and WESCOSA will be allowed to use the trademarks of CG Belgium and Powell (according to the agreements' conditions). If any of these agreements was terminated, the Company, its Subsidiaries or Associates will not be able to use the trademarks of these companies, which will have a material and adverse effect on the Company's business, prospects, results of operations and financial position.

2.1.31 Conflicts of Interest

One of the Shareholders in the Company is involved in a similar line of business as that of the Company, which leads to a conflict of interests under Article 70 of the Companies' Regulations. Ali Zaid Al Quraishi Brothers Company Ltd. is also a shareholder in Ali Zaid Al Quraishi and Partners for Electrical Services which is in the business of trading switchgears (For more details, pleases refer to Sections 13.3 and 13.4 of this Prospectus entitled "Related Party Transactions" and "Participation of Members of the Board in other Companies with Similar or Competing Purposes to the Company"). This Shareholder has representatives on the Board of Directors. The issue was raised before the general Assembly meeting on 15/6/1435H (corresponding to 15/4/2014G). It is possible that this conflict of interests will create further competition for the Company, which would in turn have a material adverse impact upon the Company's results of operations, prospects and financial position.

2.1.32 Competition

The transformer and switchgear markets in Saudi Arabia are competitive. The Company currently faces competition from a number of domestic and global manufacturers, together with regional manufacturers based in the MENA region. Competition within the switchgear market in KSA is particularly competitive (with a high degree of customization of switchgear and other related products required). Factors affecting competition in the transformer and switchgear industries include the reliability and quality of products produced, technology, price, as well as the scope and quality of after-sale services provided to the customers.

The ability of the Company, its Subsidiaries and its Associates to compete in the transformer and switchgear markets will depend on their ability to provide high quality products and services to their clients at competitive prices. There is achance that the competitors of the Company, its Subsidiaries and Associates will be willing to accept a lower profit margin than that of the Company in order to retain existing clients and/or attract new clients. There is no assurance that the Company, its Subsidiaries and Associates will be able to compete effectively against current or future competitors. There are currently changes in the competitive environment which in the past have resulted in price reduction, reduced profit margins, loss of market share for the Company, its Subsidiaries and Associates. The persistence of these changes to the competitive environment in general and to competition related to prices, will result in price reductions, reduced profit margins, loss of market share for the Company, its Subsidiaries and Associates; which in turn will have a material adverse effect on the Company's business, future prospects, results of operations, financial position and Share price.

2.1.33 Zakat

The Company did not yet obtain STC's final Zakat assessments for 2005G through 2012G, WESCOSA's assessments for 2006G through 2012G, and SPTC's assessments for 2011G and 2012G, as these declarations are still under review by the Zakat Department, which has not objected to those assessments, nor put a hold on any of the Company's transactions. Upon the Company's request, the Selling Shareholders pay Zakat to the Zakat Department or to the Company directly for and on behalf of the Company or the Selling Shareholders. Any additional Zakat amount that is due to the Company is repaid to the Company as such, and any amount that is due to the Shareholders for the years in which the final assessment has not been yet issued, is paid to Shareholder in accordance with their respective share in the Company's ownership as of 28/11/2012G. If these final assessments were issued, and the Selling Shareholders were not able to meet or breached their obligations under the said undertaking, the Company's results of operations and financial position will be affected.

It is possible that the Company will not be able to finalize Zakat assessments in the future due to non-payment of the required amounts to the Zakat and Income Department, or due to payment of the required amounts and the issuance of temporary and not final Zakat certificates, which would lead to the imposition of additional Zakat amounts by the Zakat Department, thus adversely affecting new shareholders. In addition, the Company's failure to obtain final Zakat certificates would adversely affect its business, and limit its ability to collect amounts due from clients, especially clients who require that the Company receives its final Zakat certificate prior to them paying their dues. The occurrence of any of the above will in turn adversely affect the Company's business, prospects, financial position, results of operations and cash flows.

2.1.34 Lawsuits and Penalties

The Company is exposed to lawsuits and legal proceedings that can be filed by it or against it in the future, by many parties including clients, suppliers or employees inside or outside the Kingdom. The Company cannot make guarantees as to the final outcome of these proceedings or the amounts incurred as a result of these lawsuits and proceedings. Some technical legal agreements, licenses and other contracts can be subject to laws other than those applicable in the KSA and to the jurisdiction of non-Saudi courts. It is possible that legal or regulatory requirements exist in the relevant country of jurisdiction that differ from those in force in the Kingdom, especially regarding the resolution of conflicts.

Thus, exposure to litigation costs in lawsuits brought against the Company, judgments issued in those cases not in favor of the Company, or penalties imposed by the competent authorities upon the Company will lead to an adverse and material effect to the Company's business, prospects, financial position, results of operations and cash flows.

2.1.35 Recent Formation of the Board of Directors' Committees

On 27/11/1433H (corresponding to 13/10/2012G), the Company's Board of Directors formed the Audit Committee and the Nominations and Remuneration Committee to carry out the tasks and responsibilities specified for each of them and approved by the Ordinary General Assembly held on 24/10/1433H (corresponding to 10/09/2012G), in accordance with the Corporate Governance Regulations issued by the CMA. (For more details, please refer to Section 5.5 of this Prospectus "Board Committees").

Due to the recent formation of these Committees and the adoption of the internal Corporate Governance Regulations of the Company, the inability of the members of these Committees to carry out the responsibilities assigned to them and to follow a methodology ensuring the protection of the Company and its Shareholders' interests, can affect the implementation of the Company's internal Corporate Governance Regulations and hinder the Company's Board of Directors' ability to effectively oversee the management of the Company's business through these Committees, which can render the Company unable to meet its post-listing disclosure requirements on the one hand, and expose it to operational, administrative and financial risks on the other; thus adversely affecting the Company's business, prospects, financial position, results of operations and cash flows.

2.2 Risks relating to the Market

2.2.1 Economic Considerations

The Saudi economy and government spending are still dependent on the price of oil and gas in world markets. Therefore, a decline in the prices of oil and gas will substantially slow down and disrupt the Saudi economy, or the Government's spending plans. Given the Company's strong domestic focus on the Saudi market, such a slowdown could, in turn, have a material adverse effect on the Company's business, prospects, results of operations, financial position or Share price.

In addition, any negative change in one or more macroeconomic factors, such as the exchange rate, interest rates, inflation, wage levels, foreign investment and international trade or the economic and legal environment in Saudi Arabia which remains subject to continuous development, could have a material adverse effect on the Company's business, prospects, results of operations, financial position or Share price.

2.2.2 Regulatory Environment

The Company's businesses are subject to Saudi regulations. It is possible that the regulatory environment in which the Company operates will be subject to change. Regulatory changes caused by political, economic, technical and environmental factors would significantly impact the Company's operations by restricting the development of the Company. New or amended laws or regulations would result in significant compliance requirements that the Company, its Subsidiaries and Associates can not comply with, without incurring significant additional costs. Furthermore, this can adversely affect the Company's profits, cash flows, business, prospects, results of operations, financial position and Share price.

2.2.3 Political and Security Risks in the Region

Prospective investors should consider the geopolitical risks in the Middle East. Several countries in the Middle East, to which the Company, its Subsidiaries and Associates currently, or will in the future, export products to, are presently politically unstable and face popular unrest. Among those countries are Iraq, Sudan and Yemen. The revenues of the Company, its subsidiaries and associates from these countries for 2011G, 2012G and 2013G amounted to SAR 17.5 million, SAR 23.3 million and SAR 6.1 million respectively. These revenues are not considered to be material as they represent (1.8%), (2.2%) and (0.5%) of the Company's total revenues for these years respectively. The lack of political stability and security in the Middle East will lead to a decline in entrepreneurial activity in these countries, which in turn would adversely affect the sales of the Company and its Subsidiaries and Affiliates in those states. There can be no assurance that economic and political conditions in other countries will not have a material adverse effect on the capital markets in Saudi Arabia generally, the Company's business, results of operations, financial position or Share price.

2.3 Risks Relating to the Shares

2.3.1 Absence of a Prior Market for the Shares

There is and there has been no prior market for the Offer Shares, and there can be no assurance that, following admission to the Official List, an active trading market for the Offer Shares will develop. If there was no active trading market for the Shares, the liquidity and trading price of the Company's shares would potentially be adversely affected.

Furthermore, the subscription price was based on several factors including the Company's position, future prospects, the market in which it competes, and an assessment of the Company's administrative, operational and financial results. It is possible, that various factors such as the difference in financial results, general conditions, general economic situation and the regulatory environment in which the Company operates as well as other factors outside the Company's control will lead to a large disparity in the trading liquidity and price of the Company's shares.

2.3.2 Dividend Distribution

Future cash dividends will depend on, amongst other things, the ability of the Company to achieve profits, its financial position, regulatory reserve requirements, distributable reserves, financing agreement terms, general economic conditions and other factors that are subject to the recommendation of the Board of Directors as deemed appropriate.

The Company does not warrant that the shareholders will approve the distribution of dividends in the General Assembly meetings, and does not offer guarantees concerning the amounts to be paid in any given year. Furthermore, the Company does not guarantee any specified profitability per share in any fiscal year.

2.3.3 Post-Subscription Volatility in the Share Price

It is possible that, Subscribers will not be able to resell their Shares at or above the Offer price, or at all. The post-offering market price of the Shares would be adversely affected by factors within or beyond the Company's control, including variation in anticipated operating results, changes in, or failure to meet, earning estimates or forecasts, market conditions in the transformer and switchgear sectors, regulatory actions, general economic conditions or other factors which would cause significant fluctuations in the price and liquidity of the Shares.

2.3.4 Effective Control by the Selling Shareholders

Following completion of the Offering, the Selling Shareholders will own (70%) of the issued Shares. Therefore, the Selling Shareholders will be in a position to effectively control matters requiring Shareholder approval. The Company cannot give assurances that the Selling Shareholders will not exercise these rights in a way that would materially and adversely affect the Company's business, which would affect the Company's prospects, results of operations, financial position and Share price.

2.3.5 Future Share Sales

The Company does not currently intend to issue additional shares immediately following the Offering; but, in case the Company decided to increase its capital by issuing new shares, these new shares would have a negative impact on share market price.

2.3.6 Sale of a Large Number of Shares after the Offering

The sale of a large number of the Company's Shares in the Saudi financial market upon completion of the Offering, or the probability of such sale, would adversely affect the Share price in the market. The sale by any of the Selling Shareholders of a large number of shares after the expiration of the lock-up period would negatively affect the value of the Company's shares and lower the price thereof in the market, which will impact negatively on the expected returns to subscribers, or lead to subscribers losing part or all of their investment in the Company.

3. Market Overview

The Company has appointed consultancy firm ERAS to prepare the Market Report covering the sectors in which EIC operates in Saudi Arabia, the GCC and the MENA region. ERAS is considered to be a leading international consulting firm that provides practical technical consultations to private and government corporations in several industries and sectors. ERAS was established in 1987G and is headquartered in London, United Kingdom. (For more information about ERAS, please refer to its website www.erasconsulting.eu)

Neither Eras nor its subsidiaries, affiliates, shareholders, members of its Board of Directors or their relatives have any shareholding or interest of any kind in the Company. ERAS has provided and not withdrawn to date its written consent for the use of its data and market research in this Prospectus.

All data, including that relating to the 2013G calendar year was drawn from the ERAS report, as well as from other information and publicly available and published press reports.

3.1 Introduction

The Company mainly operates in the electrical products industry, and in the following areas specifically:

1. Electrical Transformers: Manufactured by STC, WESCOSA and SPTC. These Subsidiaries manufacture and supply transformers, compact substations and low voltage distribution panels/ boards mainly to utility providers in the Kingdom of Saudi Arabia and other GCC countries, as well as key property developers.
2. Low and medium voltage switchgears manufactured by WESCOSA, which manufactures and supplies a wide range of medium and low voltage switchgears, low voltage distribution panels/ boards, motor control centers, electrical conductors, panel boards, cable bus and bus ducts, relay and protection panels and cable trays. Switchgear products are mainly sold to customers operating in the oil, gas and petrochemicals sector in the Kingdom of Saudi Arabia. Low and medium voltage switchgear products are highly specialized with specifications customized to suit client needs. These products are typically delivered within 6 to 12 months from the date of placing an order.
3. Services and maintenance provided by WESCOSA, which offers after sales services on low and medium voltage switchgear sales, as well as services to customers using other WESCOSA and EIC Subsidiary companies' products in general. The division provides maintenance, repair, inspection, upgrade, study of products, electrical and mechanical systems and related works. It also provides test services for electrical equipment onsite and in projects.
4. Management and construction services provided by CGPSSA, which implements engineering, procurement and construction (EPC) contracts that entail the installation of medium voltage and mobile substations, as well as testing, installation and service thereof.

The Saudi Electricity Company's activities have a significant impact on demand for electrical products. The tenders for transformers and substations held by the Saudi Electricity Company represent about (70%) of the Saudi market for transformers and substations.

In addition, other components of the infrastructure sector, and of the oil, gas and petrochemical sectors, as well as heavy industry, have a significant impact on demand for electrical products.

The company exports its products to GCC countries such as Qatar, Oman, Bahrain, Kuwait, the United Arab Emirates, as well as other neighboring countries, such as Egypt, Iraq, Syria, Yemen, Sudan, and Jordan; while noting that the Company has lately focused on the local market as a result of high demand for its products, especially by the Saudi Electricity Company and Aramco contractors.

The following table classifies standardardized voltage ranges used by consumers in the Kingdom of Saudi Arabia for high, medium and low voltage equipment.

Exhibit 3-1: Standard voltage range in Saudi Arabia

Standard voltage range in Saudi Arabia (V)					
Equipment rating	Level 1	Level 2	Level 3	Level 4	Level 5
High	110,000	115,000	132,000	230,000	380,000
Medium	4,160	11,000	13,800	33,000	34,500
Low	110	208	231	400	480

Source: ERAS

It should be noted that EIC has the capability to manufacture electrical equipment in any of the standard voltage ranges above to comply with both IEC and ANSI standards.

3.2 Market Analysis

3.2.1 Regional Transformers Market

According to ERAS' estimates, demand for distribution transformers in Saudi Arabia has increased from around 9,871 MVA to about 15,100 MVA between 2009G and 2013G representing a CAGR of (11.2%). In the remaining countries of the GCC (excluding Saudi Arabia), demand for distribution transformers increased from 8,098 MVA to 11,277 MVA, representing a CAGR of (8.6%) during the same period.

The following tables summarize demand for distribution transformers by voltage, units and sales over the period 2009G-2013G in Saudi Arabia, GCC, and MENA countries:

Exhibit 3-2: MENA Demand for Distribution Transformers by Capacity

Demand for Distribution Transformers						
MVA	2009G	2010G	2011G	2012G	2013G	CAGR
Saudi Arabia	9,871	11,100	14,010	14,286	15,100	11.2%
Other GCC Countries	8,098	9,823	10,524	11,276	11,277	8.6%
All GCC Countries	17,969	20,923	24,534	25,562	26,377	10.1%
Other MENA Countries	20,179	23,826	26,197	25,423	25,424	5.9%
All MENA Countries	38,148	44,749	50,731	50,985	51,801	7.9%

Source: ERAS

Exhibit 3-3: MENA Demand for Distribution Transformers by Units

Demand for Distribution Transformers						
MVA	2009G	2010G	2011G	2012G	2013G	CAGR
Saudi Arabia	23,336	26,241	33,121	33,773	35,698	14.2%
Other GCC Countries	17,229	20,899	22,390	23,992	23,994	8.6%
All GCC Countries	40,565	47,140	55,511	57,765	59,692	11.8%
Other MENA Countries	42,935	50,694	55,739	54,091	54,093	5.9%
All MENA Countries	83,499	97,834	111,250	111,856	113,785	8.8%

Source: ERAS

Exhibit 3-4: MENA Demand for Distribution Transformers by Value

Demand for Distribution Transformers						
SAR Million	2009G	2010G	2011G	2012G	2013G	CAGR
Saudi Arabia	1,009	941	1,256	1,425	1,598	12.2%
Other GCC Countries	829	833	945	1,125	1,193	9.5%
All GCC Countries	1,838	1,774	2,201	2,550	2,790	11.0%
Other MENA Countries	2,066	2,018	2,348	2,535	2,689	6.8%
All MENA Countries	3,904	3,791	4,549	5,085	5,479	8.8%

Source: ERAS

3.2.2 Regional Switchgear Market

The switchgear markets in Saudi Arabia, GCC and MENA countries were impacted by the global economic crisis between 2009G and 2011G. While expenditure in the energy and utilities sector has not been affected, the oil and gas industry witnessed a drop in spending, with major sector projects being postponed until 2012G.

Based on the study conducted by ERAS, sales of switchgear in Saudi Arabia and the GCC decreased in 2009G and 2010G. But the market began improving in 2011G, when the demand CAGR for switchgear in all GCC countries during the period between 2009G to 2013G reached (3.9%). The estimated size of the market in 2013G amounted to SAR 1,283 million for the Kingdom of Saudi Arabia, and SAR 1,189 million for other GCC countries.

The Saudi and MENA switchgear market is segmented into the utilities and non-utilities sectors:

The market in the Utilities sector is skewed towards medium and high voltage switchgears, often complying with IEC standards. This segment accounts for about (60%) of the market.

Other sectors include the oil, gas, petrochemical and heavy industry sectors, which represent approximately (40%) of the market, and tend to follow American ANSI standards. This is the sector that the Company now mainly covers through WESCOSA, the products of which conform to ANSI standards.

The following table summarizes the market size of switchgears in Saudi Arabia, GCC countries and the MENA region:

Exhibit 3-5: MENA Demand for Switchgear by Value

Demand for Switchgear						
SAR Million	2009G	2010G	2011G	2012G	2013G	CAGR
Saudi Arabia	1,103	1,065	1,080	1,178	1,283	3.9%
Other GCC Countries	1,016	998	1,016	1,099	1,189	4.0%
All GCC Countries	2,119	2,063	2,096	2,276	2,471	3.9%
Other MENA Countries	3,259	3,150	3,169	3,390	3,630	2.7%
All MENA Countries	5,378	5,213	5,265	5,666	6,101	3.2%

Source: ERAS

3.2.3 Ratio of Raw Materials Used in the Manufacture of Electrical Transformers and Switchgear

Raw materials generally account for (60%) to (70%) of transformer costs and about (75%) of switchgear costs. The principal raw materials used in the production of transformers are ferrosilicon and copper. Ferrosilicon is a special product used to increase the efficiency of transformers and represents the largest portion of metals used in the production of transformers, accounting for about (35%) of the cost of transformers manufactured in Saudi Arabia, while copper accounts for (23%) of that cost.

3.2.4 Industry developments and trends

ERAS' report indicates that transformer and switchgear manufacturing is being shifted from Europe and the US to lower cost base countries, such as countries in the Middle East. The main reasons for this strategic shift are the following:

1. Increase in the competitiveness of companies and thereby an increase in their market share.
2. Cheap labor.
3. Other competitive advantages in countries of the Middle East (lower electricity, permit and tax costs) that contribute to the reduction of manufacturing costs in those countries. Furthermore, manufacturing in the GCC particularly allows companies to be more competitive in terms of price, due to cost savings associated with transportation and taxes levied compared to other countries of the Middle East.

There has been a shift of preference for local clients to order from locally manufactured products. Lower lead time, and proximity of local manufacturers allow for customer collaboration and after sale support. Many of the local manufacturers have established joint venture and licensing agreements with leading multinational manufacturers to benefit from their technology and manufacturing efficiencies. Local manufacturers' cost savings and efficiencies have thus allowed them to be more competitive, and capture a greater share of the market.

The distribution transformer segment has lately witnessed intense competition; prompting companies to expand their product mix to include higher power voltage products and also develop their service offering by providing full package solutions which include design and planning, installation, commissioning, testing, and after sales maintenance and repair support.

3.2.5 Key Industry Demand and Drivers

Annual demand for electricity in the Kingdom of Saudi Arabia grew by (7%) between 2003G to 2013G. In spite of the slowdown to (6.5%) in growth in the past few years, this rate is still considered to be the highest when compared to the growth recorded in the United States and Europe, which amounted to about (1.3%) per year (based on the report issued by the International Atomic Energy Agency in the 2013G World Energy Outlook).

Increased demand for electricity, infrastructure growth, the expansion of cities, the development of new industrial and economic cities, and the replacement of old inefficient transformers with newer and more efficient ones, are the main drivers for the increased demand for distribution transformers in Saudi Arabia.

The following table highlights the importance of the market for replacement transformers. Transformer failure rates increase after 10 years of use, with that rate of failure reaching (50%) after 20 years of use; despite the fact that repairs can be implemented in many cases. It is also estimated that more than (55%) of distribution transformers in Saudi Arabia are over ten years of age.

Exhibit 3-6: Rate of American Transformer Failures with Time

Rate of American Transformer Failures with Time																	
Time (Years)	Less than 3	4-6	7-9	10-12	13-15	16-18	19-21	22-24	25-27	28-30	31-33	34-36	37-40	41-43	44-46	47-50	More than 50
Failure rate (%)	0.5	1.9	4.0	7.7	11.3	15.0	10.8	11.2	9.3	6.2	5.9	4.2	3.6	3.8	0.5	2.2	4.2

Source: ERAS

The expansion of distribution and power transformer networks, the growth of heavy industry (such as oil and gas, petrochemicals, iron, and other metals), mega construction projects (such as economic cities and commercial centers), and the replacement of old stock with new are the main factors driving the switchgear market. The following are the main drivers of growth for each of the transformer and switchgear products in the Kingdom of Saudi Arabia:

- Demographics
  - It is expected that a growing population, of which (66%) of the population is under 25, will contribute to the continued demand for housing, and thus will affect the supply of electricity and the demand for electrical products.
  - Increases in per capita income are expected to have a direct impact on the growth of demand for electricity.
- Infrastructure
  - The Ninth Development Plan for the Kingdom of Saudi Arabia outlines an overall investment of SAR 1,440 billion between 2010G and 2014G.
  - According to statements issued by the Saudi Ministry of Water and Electricity, an estimated SAR 300 billion is expected to be invested in the Kingdom's electricity infrastructure.
- Real Estate Development
  - According to the Ninth Development Plan, the government plans to inject more than SAR 100 billion into housing projects between 2010G and 2014G. Furthermore, 200,000 new housing units are expected to be built per year in the Kingdom, so as to reduce the gap between supply and demand for housing over the next ten years.
- Power Generation
  - The CEO of the Saudi Electricity Company recently announced plans to spend a total of SAR 622 billion until 2023G, to meet growing demand for power generation[4], as per to the following:
  - SAR 247 billion to be spent in the period from 2014G to 2017G on the addition of 18,000 MVA of power generation capacity, 234 new transmission substations and more than 20,000 kilometers of power transmission network.
  - SAR 375 billion to be spent in the period from 2018G to 2023G, on the addition of 22,000 MVA of power generation capacity, 260 new transmission substations and more than 30,000 kilometers of power transmission network length.
  - Since 2003G, the average growth in demand for electricity in the Kingdom was over (7%) annually, and the Saudi Electricity Company expects growth to remain between (7 - 8%) per year until 2023G.

Demand growth for transformers and switchgear are directly linked to power demand growth and the expansion and upgrading of networks in the industrial, commercial and residential sectors. Public utilities are the primary providers of transformers and related switchgear services to the industrial and commercial end users, however, large industrial and commercial users may invest in their own generation, distribution, transformer and switchgear infrastructure.

4 As published on the website of Aleqtisadiya magazine: http://www.aleqt.com/2014/03/19/article_834585.html

In brief, the main drivers that contribute to the growth of every end-user sector are:

- Industry:
  - Demand for electrical products in the industrial sector largely revolves around the same electrical products required in other sectors, taking into account the differing standards and specifications, whereby the industrial sector requires more stringent specifications, which reduces the number of suppliers able to meet those demands.
  - The following table lists the key future or ongoing projects in the oil and gas sector, as well as in the industrial sector. It should be noted that electrical equipment account for approximately (30%) to (40%) of the volume of power generation projects, and (8%) to (10%) of the volume of oil, gas and industrial projects.

Exhibit 3-7: Ongoing / Future Projects in the Oil, Gas and Industrial Project Sectors

Project	Sector	Classification	Budget (SAR billion)	Status	Type	Owner	Award Date	Expected Completion date	Awarded to the Company or not*
Jazan Refinery	Oil	Oil refining, reducing	26.3	Implementation Phase	Main Mega Project	Saudi Aramco	2012	2017	Yes
SABIC: Alternative Reactions Ethylene Oxide	Chemical	Petrochemical plant, industrial production	1.1	Implementation Phase	Independent Project	SABIC	2013	2015	No
Saudi Aramco - Riyadh Refinery Clean Transportation Fuel Project	Oil	Oil refining, conversion	2.6	Implementation Phase	Independent Project	Saudi ARAMCO	2013	2016	Yes
Saudi Aramco - 900 MW Bakik, Hoih and Ras Tanura	Energy	Oil and Gas plant, power generation	3.8	Implementation Phase	Main Mega Project	Saudi Aramco	2013	2016	Yes
Saudi Aramco Shaybah Arabian Light Crude Increment Project	Energy	Gas extraction, separation	1.9	Implementation Phase	Mega sub-project	Saudi Aramco	2013	2014	No
ARAMCO Project - Midyan gas processing	Gas	Gas processing, conversion	3.0	Implementation Phase	Independent Project	ARAMCO	2013	2016	Yes
Saudi Electricity Company Steam Power Plant - Shuqaiq	Energy	Oil and Gas plant, power generation	13.1	Implementation Phase	Independent Project	Saudi Electricity Company	2013	2017	Yes
Ma'aden/ Mosaic/Sabic - Waad Al Shamal Phosphate City	Industrial	Other projects, industrial production	27.1	Implementation Phase	Main Mega Project	Ma'aden/ Mosaic/ Sabic JV	2013	2016	No
SABIC / lucite – Al Jubail: Methyl methacrylate and polymethyl methacrylate Plant	Chemical	Petrochemical Plant, chemical production	1.9	Bidding Phase	Independent project	SABIC/	2014	2016	-

Project	Sector	Classification	Budget (SAR billion)	Status	Type	Owner	Award Date	Expected Completion date	Awarded to the Company or not*
Saudi Aramco – Ras Tanura Upgraded refinery	Oil	Oil refining, conversion	13.1	Bidding Phase	Main Mega Project	Saudi ARAMCO	2014	2017	-
Saudi Aramco – Al Fadily Gas Plant	Energy	Gas processing, conversion	3.8	Initial Engineering and Design Phase	Independent Project	Saudi Aramco	2014	2018	-
Saudi Aramco – Greater Shuaiba Station	Oil	Oil reservoir, oil storage	2.3	Rehabilitation Phase	Independent Project	Saudi Aramco	2014	2017	-
Saudi Japanese Acrylonitrile Company (SHROUQ) - Acrylonitrile Plant	Chemical	Petrochemical plant, industrial production	1.9	Initial Engineering and Design Phase	Independent Project	Saudi Japanese Acrylonitrile Company (SHROUQ)	2014	2017	-
Saudi Aramco – Shaybah: Simple Cycle to Combined Cycle Conversion Project	Energy	Oil and Gas plant, power generation	1.1	Main contract tender	Independent Project	Saudi Aramco	2014	2016	-
IDEA Polysilicon Company (IPC) - Yanbu-Polysilicon& Solar Wafer Plant	Industrial	Other projects, industrial production	4.1	Bidding Phase	Independent Project	IDEA International	2014	2016	-
ARAMCO plant project – Jazan (IGCC)	Energy	Oil and Gas plant, power generation	37.5	Bidding Phase	Main Mega Project	ARAMCO	2014	2016	-
Saudi Electricity Company – Rabigh: expansion of the steam power plant (Phase II)	Energy	Oil and Gas plant, power generation	2.4	Design Phase	Independent Project	Saudi Electricity Company	2014	2016	-
SABIC - King Abdullah Economic City Rabigh Steel Plant	Industrial	Steel, industrial production	6.4	Study Phase	Mega sub-project	SABIC	2015	2018	-
SABIC – Al Jubail Steel Plant	Industrial	Steel, industrial production	9.4	Study Phase	Independent Project	SABIC	2015	2018	-
National Industrialization Company (TASNEE) - Yanbu complex integrated smelter for copper, lead and zinc	Oil	Oil refining, conversion	3.8	Study Phase	Independent Project	TASNEE	2015	2017	-

Project	Sector	Classification	Budget (SAR billion)	Status	Type	Owner	Award Date	Expected Completion date	Awarded to the Company or not*
Saudi Aramco – Al Fadily Power Plant	Energy	Oil and Gas plant, power generation	5.6	Study Phase	Independent Project	Saudi Aramco	2015	2018	-
Saudi Electricity Company Power Plant – PP14: Combined Cycle Power Plant	Energy	Oil and Gas plant, power generation	6.6	Design Phase	Independent Project	Saudi Electricity Company	2015	2018	-
Saudi Aramco – Khurais, Arabian Light Crude Increment Program	Oil	Oil extraction, separation	11.3	Initial Engineering and Design Phase	Independent Project	Saudi Aramco	2015	2019	-
Saudi Aramco - shale gas development	Energy	Gas extraction, separation	7.5	Study Phase	Independent Project	Saudi Aramco	2015	2020	-
Saudi Electricity Company Power Plant-Salbukh	Energy	Oil and Gas plant, power generation	2.8	Study Phase	Independent Project	Saudi Electricity Company	2015	2017	-
Saudi Electricity Company – Riyadh PP13: Combined Cycle Power Plant	Energy	Oil and Gas plant, power generation	7.5	Design Phase	Independent Project	Saudi Electricity Company	2015	2018	-
Farabi Petrochemicals Company - Jazan Petrochemical Project	Chemical	Petrochemical plant, industrial production	2.6	Study Phase	Independent Project	Gulf Farabi Petrochemicals Company	2015	2018	-
Ma'aden – Al Rajoum: Gold Mine Project	Industrial	Mine, industrial mining	1.3	Study Phase	Independent Project	Saudi Arabian Mining Company	2015	2017	-
Ma'aden – Al Hamimah: Gold Mine Project	Industrial	Mine, industrial mining	1.1	Study Phase	Independent Project	Saudi Arabian Mining Company	2015	2017	-
Ma'aden – Al Mansourah: Gold Mine Project	Industrial	Mine, industrial mining	1.1	Study Phase	Independent Project	Saudi Arabian Mining Company	2015	2017	-
Saudi Aramco/SABIC – Yanbou Petrochemical Complex	Chemical	Petrochemical Plant, chemical production	3.8	Study Phase	Independent Project	Joint project between Saudi ARAMCO and SABIC	2015	2018	-

Project	Sector	Classification	Budget (SAR billion)	Status	Type	Owner	Award Date	Expected Completion date	Awarded to the Company or not*
Sadaf – Al Jubail: Polyurethane Factory	Chemical	Petrochemical plant, industrial production	1.1	Study Phase	Independent Project	Saudi Arabian Petrochemical Company	2015	2017	-
Petro Rabigh: Clean Fuel Project	Oil	Oil refining, reducing	3.8	Study Phase	Independent Project	Rabigh Refining and Petrochemical Company	2015	2018	-
Ma'aden: Copper and Zinc Smelting Project	Industrial	Other metals, industrial production	5.6	Study Phase	Independent Project	Saudi Arabian Mining Company	2015	2018	-
SEC-DubaIPP Expansion	Energy	Oil and Gas plant, power generation	12.4	Study Phase	Main Mega Project	Saudi Electricity Company	2015	2018	-
Saudi Electricity Company Power Plant- Ras Al Khair, First Phase	Energy	Oil and Gas plant, power generation	11.3	Study Phase	Independent Project	Saudi Electricity Company	2015	2018	-
Saudi Electricity Company Power Plant - Al Muzahimiyah	Energy	Oil and Gas plant, power generation	2.8	Study Phase	Independent Project	Saudi Electricity Company	2015	2018	-
Saudi Electricity Company Power Plant - Al-Uqair South, First Phase	Energy	Oil and Gas plant, power generation	4.9	Study Phase	Mega sub-project	Saudi Electricity Company	2015	2018	-
Saudi Electricity Company Power Plant – Al Rais Two	Energy	Oil and Gas plant, power generation	6.8	Study Phase	Independent Project	Saudi Electricity Company	2015	2018	-
Saudi Electricity Company Power Plant - Al-Uqair South, Third Phase	Energy	Oil and Gas plant, power generation	4.9	Study Phase	Mega sub-project	Saudi Electricity Company	2016	2019	-
Saudi Aramco – Safaniya Field to raise Efficiency Phase 2	Oil	Oil extraction, separation	1.9	Study Phase	Independent Project	Saudi Aramco	2016	2019	-
Ma'aden – Bir Tawila: Gold Mine Project	Industrial	Mine, industrial mining	1.3	Study Phase	Independent Project	Saudi Arabian Mining Company	2016	2018	-

Source: ERAS

* This information pertains to projects awarded in 2013G and 2014G.

- Housing Sector
  - Population, income growth and increased household formation are affecting the increased demand for energy and network expansion, including demand for transformers and switchgear.
  - Development of cities and housing estates.
  - The Saudi government's initiative to build 500,000 new homes in all areas of the Kingdom, announced in March 2011G[5], in addition to 200,000 units mentioned in the Ninth Development Plan.
- Commercial Sector
  - Continued expansion of public utilities and the need to support multi-purpose unit demand in existing and new locations (e.g. economic cities).
  - General commercial development including tourism, financial services (e.g. King Abdullah Economic City), education, and medical services.
  - Expansions in transport infrastructure including street lighting requirements for roads and electrification of the Haramain high-speed railway between Jeddah, Mecca and Medina.

3.3 The Company's Estimated Share of the Market

3.3.1 Distribution Transformers and SubStations

The market share of the Company is estimated on the basis of audited sales as a percentage of the ERAS estimate of total market demand in the Saudi and GCC markets. In Saudi Arabia, the Company's transformer sales accounts for about (52%) of the total transformers market for 2013G, and around (8%) of the distribution transformers market in remaining countries of the GCC.

The following table summarizes EIC's market share in Saudi Arabia and GCC countries.

Exhibit 3-8: Company's Distribution Transformers Market Share

	2009G	2010G	2011G	2012G	2013G
Saudi Arabia	64%	75%	59%	56%	52%
Other GCC countries	10%	12%	1%	0%	8%
All GCC countries	40%	45%	34%	32%	34%

Source: ERAS

3.3.2 Switchgear, Protection Panels, Cable Trays and Services Market Share

Taking into account EIC only supplies ANSI switchgears; EIC was estimated to have approximately (27%) of the market share in 2013G.

Exhibit 3-9: Company's Switchgear, Protection Panels, Cable Trays and Services Market Share

	2009G	2010G	2011G	2012G	2013G
Saudi Arabia	20%	16.5%	19.8%	21.7%	26.9%
Other GCC countries*	-	-	-	-	-

Source: ERAS

* The Company›s market share for electric switchgear, protection panels, cable trays and services in the GCC is considered to be slim. This is due mainly to the fact that most demand in those countries is for switchgear and protection panels conforming to international standards (IEC), while the Company's production at this time is limited switchgear and protection panels conforming to American ANSI standards.

5 As published on the website of Al Riyadh newspaper: http://www.alriyadh.com/770291

3.4 Competitive Landscape

The following section summarizes EIC's main competitors in Saudi Arabia.

3.4.1 Transformers

The continued strong growth of demand for transformers in Saudi Arabia and the Middle East is expected to encourage the emergence of local companies that can compete with imports, and form partnerships with global manufacturers. The activity of competing companies is primarily focused on the market segment of distribution transformers with a capacity of less than the 3.15 MVA, leading to strong competition in this segment of the market. However, the Company remains the largest manufacturer of distribution transformers in Saudi Arabia and the MENA region, with an estimated Saudi market share of (52%) in 2013G.

New, local companies have successfully targeted the low voltage segment of the market, often through joint ventures and licensing agreements with international manufacturers who provide technical support. Although these companies have established manufacturing facilities in Saudi Arabia, transformers and related equipment are sometimes imported from the joint venture partners or other sources to meet customer needs.

One of the Company's competitive advantages is the fact that it is the only company in the Kingdom of Saudi Arabia, which manufactures transformers with a capacity of up to 100 MVA.

The following table summarizes the range of products manufactured by major companies in the Saudi transformers market:

Exhibit 3-10: Main Competitors in the Saudi transformers market

Company	License	Product rating			Standard		Manu-factured in KSA	Ex-ports	Sector		
		Less than 3.15 MVA	3.15-20 MVA	More than 20 MVA	IEC Stan-dard	ANSI Stan-dard			Public Utilities	Oil and Gas	Indus-trial
Electrical Industries Company (EIC)	CG Power Systems Inc.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
ABB Electrical Systems Company	ABB Electrical Systems Com-pany	✓	×	×	✓	×	✓	✓	✓	✓	✓
UTEC Company	Wilson Trans-former Com-pany	✓	×	×	✓	×	✓	✓	✓	×	✓
Al Ojaimi Transformer Company	-	✓	×	×	×	×	✓	×	✓	×	×
Al Fanar Electrical Systems	-	✓	×	×	✓	×	✓	×	✓	×	✓
Matelec Group	-	✓	×	×	✓	×	✓	✓	✓	×	×

Source: EIC

The table below illustrates the market share of the Company and that of its main competitors in the Saudi market for distribution transformers.

Exhibit 3-11: The market share of the Company and that of its main competitors in the Saudi market for distribution transformers.

Company	Market Share for 2013G
EIC	52%
UTEC	10%
Al Ojaimi	10%
Al Fanar	10%
ABB	5%
Metallic	5%
Other companies	8%
Total	100%

Source: ERAS

3.4.2 Switchgears

The switchgear and accessories market is characterized by a high level of competiveness between manufacturers, which weakens their ability to control sale prices. This competiveness often compels manufacturers into implementing modifications unto the designs of switchgear and associated accessories at the request of clients, while foregoing any significant increase to the sale price.

It should be noted that the Company currently supplies switchgear of the type that complies with standards of the American National Standards Institute (ANSI), as well as products related thereto, which account for about (40%) of the total switchgear market in Saudi Arabia.

Exhibit 3-12: Main Competitors in the Saudi switchgear market

Company	Product Classification			Cable Buses and Medium Voltage cable Connectors	Low Voltage Switchgear	Standard		Sector			
	Low Voltage	Medium Voltage	High Voltage			IEC	ANSI	Public Utilities	Oil and Gas	Industrial	Petrochemical
Electrical Industries Company (EIC)	✓	✓	×	✓	✓	×	✓	✓	✓	✓	✓
Arabian Point Eight Power (APEP)	✓	✓	×	×	×	×	✓	×	✓	✓	×
Electronic and Electrical Industries Company	✓	✓	×	×	×	✓	✓	✓	✓	✓	✓
Al Fanar Electrical Systems	✓	✓	✓	×	×	✓	✓	✓	✓	✓	×
ABB Electrical Systems Company	✓	✓	✓	✓	×	✓	✓	✓	✓	✓	✓
SIEMENS	✓	✓	✓	×	×	✓	✓	✓	✓	✓	✓
Schneider Electric	✓	✓	✓	×	×	✓	✓	✓	✓	✓	✓

Company	Product Classification			Cable Buses and Medium Voltage cable Connectors	Low Voltage Switchgear	Standard		Sector			
	Low Voltage	Medium Voltage	High Voltage			IEC	ANSI	Public Utilities	Oil and Gas	Industrial	Petrochemical
International companies	✓	✓	×	✓	✓	✓	✓	✓	✓	✓	✓

Source: EIC

The table below illustrates the market share of the Company and that of its main competitors in the Saudi market for distribution transformers.

Exhibit 3-13: The market share of the Company and that of its main competitors in the Saudi market for distribution transformers.

Company	Market Share for 2013G
EIC	20%
APEP	15%
Schneider Electric	15%
ABB	9%
GE	5%
SIEMENS	5%
Other companies	31%
Total	100%

Source: ERAS

3.4.2.1 Services

Most companies in the market provide different types of services. Through WESCOSA, the Company's focus is to provide services to the oil and gas sector and to large petrochemical and industrial projects, the demand of which is limited to ANSI compliant switchgear. The Company will gain the ability to extend its services to include companies that only accept international standards (IEC), such as Saudi Electric Company, once it gains the ability to offer switchgear that are compatible with those standards, which will have a positive impact on the services that the Company provides.

Exhibit 3-14: Main Competitors in the Saudi services market

Company	Field Services without Materials						Field Services with Materials			
	Testing and commissioning	Supervising	Filter transformer oil	Calibration Laboratory	Study and training on the power system	Preventive Maintenance	Overhaul	Repair	Equipment Upgrades	Supply/ Renewal
Electrical Industries Company (EIC)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
ABB Electrical Systems Company	✓	✓	✓	×	✓	✓	✓	✓	✓	✓
Al Fanar Electrical Systems	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Company	Field Services without Materials						Field Services with Materials			
	Testing and commissioning	Supervising	Filter transformer oil	Calibration Laboratory	Study and training on the power system	Preventive Maintenance	Overhaul	Repair	Equipment Upgrades	Supply/ Renewal
WESCOSA	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
General Electric MEELSA	✓	✓	✓	×	×	×	×	×	×	×
SIEMENS	✓	✓	×	×	✓	✓	✓	✓	✓	✓

Source: EIC

The table below illustrates the market share of the Company and that of its main competitors in the Saudi services market.

Exhibit 3-15: The market share of the Company and that of its main competitors in the Saudi services market

Company	Market Share for 2013G
ABB	26%
Al Fanar	20%
EIC	17%
ISCOSA	17%
General Electric – MEELSA	11%
SIEMENS	9%
Total	100%

Source: ERAS

4. The Company

4.1 Overview

Electrical Industries Company was established as a Saudi joint stock company registered in the Kingdom of Saudi Arabia by virtue of the Ministerial Decree No. 198/Q dated 25/7/1428H (corresponding to 7/8/2007G) under Commercial Registration No. 2050056359 dated 22/8/1428H (corresponding to 4/9/2007G). The Company's head office is located in the First Industrial City of Dammam with a share capital of (SAR 450,000,000) four hundred fifty million Saudi Riyals. EIC was established to be the holding company for:

Saudi Transformers Company Limited ("STC"), which is a limited liability company with a paid-in capital of (SAR 102,750,000) one hundred two million seven hundred fifty thousand Saudi Riyals. It is registered under the commercial registration number 2050006007 dated 7/6/1398H (corresponding to 15/5/1978G) and issued in Dammam, and is fully owned, directly and indirectly, by EIC. STC engages in the manufacture of distribution transformers, compact substations and low voltage distribution panels/boards; and

WESCOSA, which is a limited liability company with a fully paid-in capital of (SAR 64,000,000) sixty four million Saudi Riyals, registered under Commercial Registration number 2050004182 dated 19/8/1396H (corresponding to 15/8/1976G) issued in Dammam. WESCOSA is fully owned, directly and indirectly, by EIC. WESCOSA manufactures transformers, substations, low and medium voltage switchgear, as well as provides maintenance and technical support.

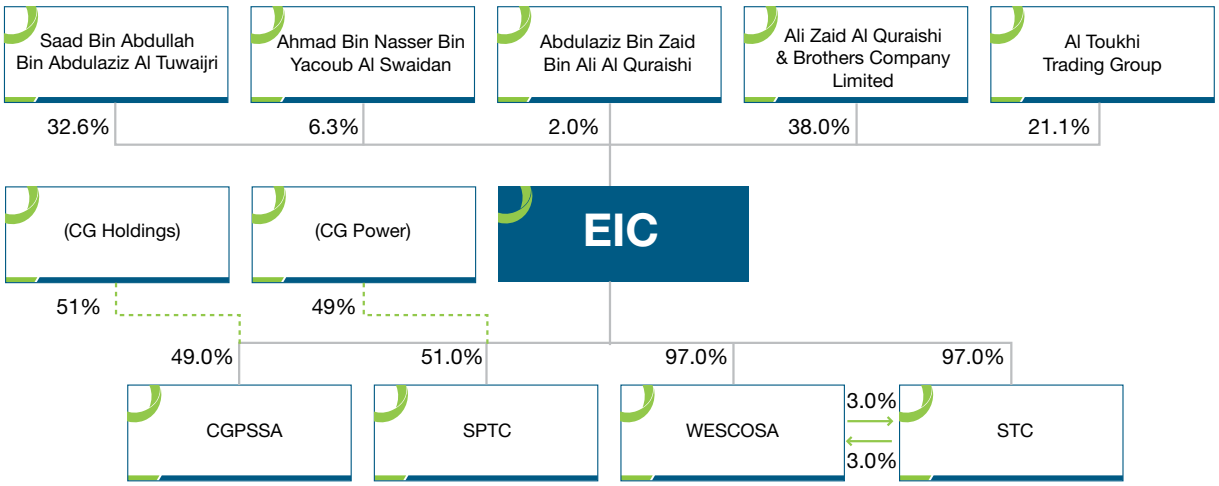
It should be noted that the Company became a holding company pursuant to a 2011G restructuring of the ownership of STC and WESCOSA, which was owned by STC. In 2010G, two new companies were established: Saudi Power Transformers Company Limited ("SPTC") and CG-Power Systems Saudi Arabia ("CGPSSA"). Upon their founding, SPTC was (51%) owned by STC and (49%) owned by CGPSSA. In 2012G, STC ceded ownership of the two companies to EIC, which then became a holding company for STC, WESCOSA, SPTC and CGPSSA. For additional details about the establishment of the subsidiaries and joint ventures, please refer to Section 4.6 of this Prospectus entitled "Subsidiaries and Associates."

Despite the restructuring of STC and WESCOSA, both companies maintained operational independence. Since then, the operations of Affiliates were restructured to benefit from the operational merger (for more details, please refer to the Section 4.5 of this Prospectus entitled "Evolution of the Ownership Structure of the Company, its Subsidiaries and Affiliates;") whereby STC and WESCOSA manufacturing units are now operating as de-facto divisions of the company. Moreover, STC and WESCOSA support functions have been merged under EIC to include operations, engineering, sales, marketing, finance, information technology, human resources, administration, logistics, supply, and business development. It should be noted that the Company has two branches in the United Arab Emirates, specifically in the cities of Dubai and Abu Dhabi (for more details, please refer to Section 4.9 of this bulletin, entitled "Company's assets Outside the Kingdom").

The Offering will consist of (13,500,000) thirteen million five hundred thousand Shares representing (30%) of the share capital of the Company. These Shares will be sold by the Selling Shareholders through an IPO. The Company does not grant any preferential rights to its current Shareholders.

4.2 Organizational Description

Figure 1: The Ownership Structure of the Company, its Subsidiaries and Associates



4.3 Company's Activities

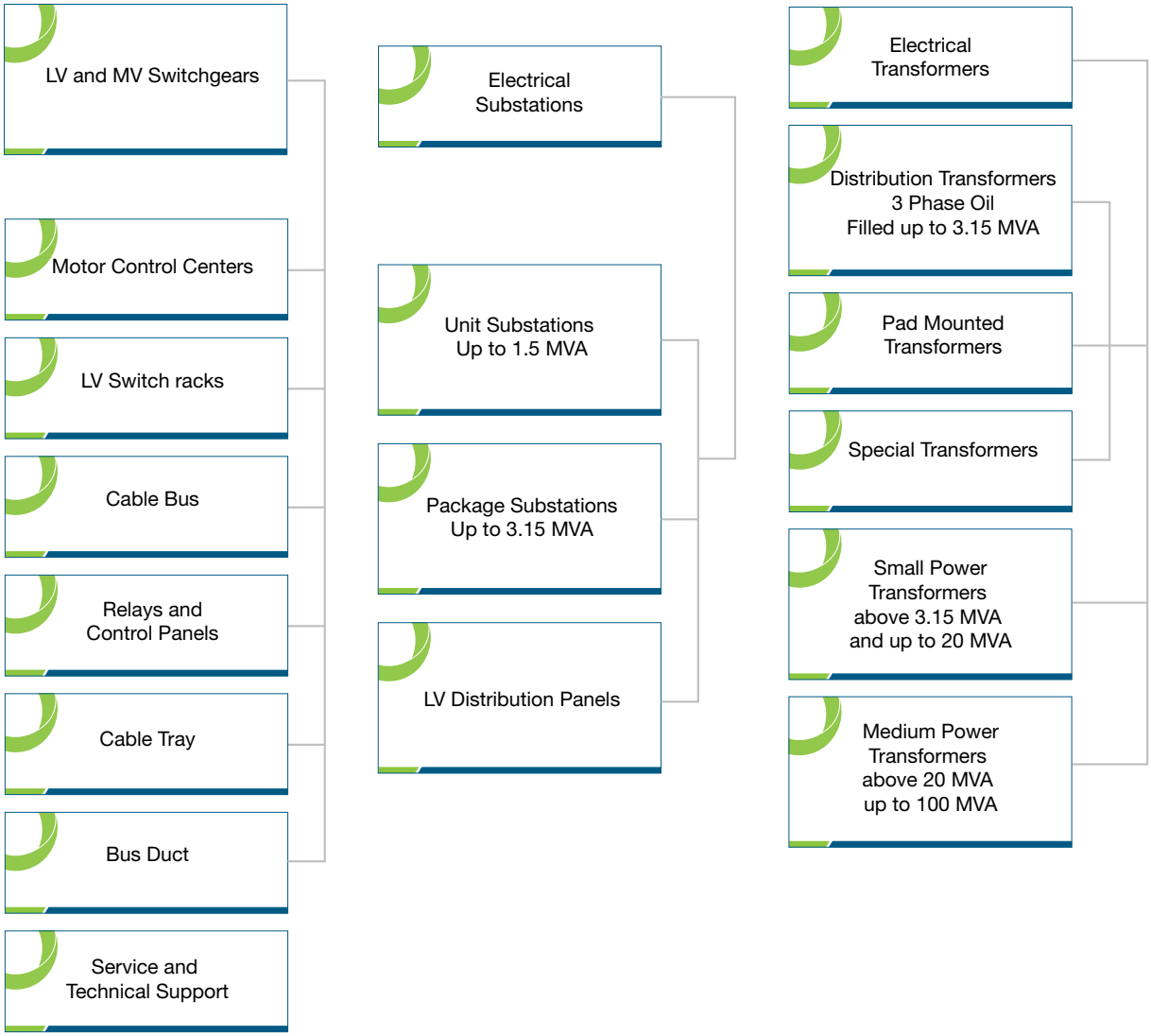
The Company undertakes its activities through its Subsidiaries and associated companies to manufacture, assemble, supply, repair and maintain electrical transformers, compact distribution substations low voltage switchgears, as well low and medium voltage electrical cable trays and switchgear and other electrical equipment, in addition to providing technical services related to these activities. The Company, through STC and WESCOSA possesses more than 35 years of experience in the manufacture of low and medium voltage electrical transformers and switchgear.

The Company sells its products to the Saudi Electricity Company, as well as contractors engaged in the design, supply and implementation of oil and gas sector projects for Saudi Aramco, in addition to petrochemical sector projects, industrial projects, and other. The Company and its Subsidiaries' sales include exports to clients outside the Kingdom in the GCC as well as Egypt, Iraq, Syria, Jordan, Yemen, and Sudan. The company owns, through its Subsidiaries, (9) nine production factories divided between the First and Second Industrial Cities of Dammam, and employs more than 1,500 employees in various disciplines and skills.

The Company's main activities are divided into four major operational processes:

1. Electrical Transformers: Manufactured by STC, WESCOSA and SPTC. These Subsidiaries manufacture and supply transformers, compact substations and low voltage distribution panels/ boards mainly to utility providers in the Kingdom of Saudi Arabia and other GCC countries, as well as key property developers.
2. Low and medium voltage switchgears manufactured by WESCOSA, which manufactures and supplies a wide range of medium and low voltage switchgears, low voltage distribution panels, motor control centers, electrical conductors, cable bus and bus ducts, relay and protection panels and cable trays. Switchgear products are mainly sold to customers operating in the oil, gas and petrochemicals sector in the Kingdom of Saudi Arabia. Low and medium voltage switchgear products are highly specialized with specifications customized to suit client needs. These products are typically delivered within 6 to 12 months from the date of placing an order.
3. Services and maintenance provided by WESCOSA, which offers after sales services on low and medium voltage switchgear sales, as well as services to customers using other WESCOSA and EIC Subsidiary companies' products in general. The division provides maintenance, repair, inspection, upgrade, study of products, electrical and mechanical systems and related works. It also provides test services for electrical equipment onsite and in projects.
4. Management and construction services provided by CGPSSA, which implements engineering, procurement and construction (EPC) contracts that entail the installation of medium voltage and mobile substations, as well as testing, installation and service thereof.

Figure 2: The Company's Main Products and Products Listed Under Each Major Product



Source: EIC

The following table summarizes EIC's products, their respective applications and manufacturing Subsidiary and Associate:

Table 4.1: The Company's Products, Their Applications and Manufacturing Subsidiary and Associate

Product	Product Description and Uses	Standards	Manufacturing Company
Three Phase Oil-Filled Transformers	Type of transformer that provide electrical power required as requested by the user within the electric power voltage distribution system, by reducing the medium voltage distribution networks to a level suitable for the end user's final circuit voltage. These transformers are used in the delivery of electricity to industrial, residential and commercial sectors. They have a power rating of up to 3.15 mega volt-ampere (MVA).	IEC ANSI	STC WESCOSA
Pad Mounted Transformers	Type of distribution transformers characterized by their ability to be installed on the ground with a power rating up to 3.15 MVA.	ANSI	STC WESCOSA
Special Transformers	Type of distribution transformers used by clients according to specific criteria and special applications. They have a power rating of up to 3.15 MVA.	ANSI	WESCOSA
Small power transformers	Power transformers with a power rating between 3.15 MVA and 20 MVA used in power distribution and generation stations, factories, industrial projects, oil & gas and petrochemical sectors.	IEC ANSI	WESCOSA
Medium power transformers	Transformers with power rating between 20 MVA and 100 MVA, used to transform electric power in transformation stations, electricity generation stations, industrial projects, oil and gas and petrochemical sectors.	IEC ANSI	SPTC
Compact substations	Self-contained units in steel housing that contain a hermetically sealed transformer, a low voltage distribution panel/board, and connecting components. This can also include a metal clad insulated ring main unit. Power rating reaches up to 3.15 MVA. Used in electrical grids, residential complexes and factories.	IEC	STC WESCOSA
Low voltage Distribution panel / board	A component of an electricity supply system which divides an electrical power feed into subsidiary circuits, while providing a protective fuse or circuit breaker for each circuit.	ANSI IEC	STC WESCOSA
Low and Medium Voltage Switchgears	Switchgears are a combination of electrical disconnect switch used to control, protect and isolate electrical equipment.	ANSI	WESCOSA
Motor control center	Motor control centers are used to protect and control power systems.	ANSI IEC	WESCOSA
Bus duct	Delivers electrical current between electrical equipment.	ANSI	WESCOSA
Electrical conductors	Electrical conductors are used as a support for low voltage electrical switchgears in rural areas especially in pipes and oil wells projects.	ANSI	WESCOSA

Product	Product Description and Uses	Standards	Manufacturing Company
Cable bus	Cable bus system provides an efficient, dependable and high quality installation for transmitting power between various electrical equipment.	ANSI	WESCOSA
Relay and protection panels	Used to detect overload, short-circuits and other faults in a circuit system to protect electrical equipment	IEC	WESCOSA
Cable trays	A cable tray system is used to support and carry insulated electrical cables used for power distribution and control as an alternative to open wiring or electrical conduit systems, and are commonly used for cable management in commercial and industrial construction.	NEMA	WESCOSA
Maintenance and technical services	Maintenance, repair, inspection, development, study and maintenance of products and electrical and mechanical systems and related business. EIC also provides testing services for electrical equipment on site and in projects	N/A	WESCOSA
EPC Projects	Implementation of engineering, procurement and construction (EPC) contracts that entail the installation of medium voltage and mobile substations, as well as testing, installation and service.	N/A	CGPSSA

Source: EIC

4.4 Development in Company's Capital

Following are the developments in the capital of the Company since its inception until the date of this Prospectus

Exhibit 4-2: EIC Capital Development

Date	Paid-In Capital SAR	Amount Increased SAR	Source of Increase (SAR)
26/5/1428H (corresponding to 12/6/2007G)	2,000,000	-	Establishment - Company's Capital
11/4/1432H (corresponding to 16/3/2011G)	350,000,000	348,000,000	Through the issuance of (34,800,000) thirty four million and eight hundred thousand shares at a par value of (SAR 10) ten Saudi Riyals per share transferred by the Shareholders to the Company at net book value.
9/5/1435H (corresponding to 10/3/2014G)	450,000,000	100,000,000	Through the capitalization of (SAR 70,000,000) seventy million Saudi Riyals from retained earnings and (SAR 30,000,000) thirty million Saudi Riyals from statutory reserves.

Source: EIC

4.5 The Evolution of the Ownership Structure of the Company, its Subsidiaries and Associates

Prior to 2005G, STC was wholly owned by Saad Bin Abdullah Bin Abdulaziz Al Tuwaijri, Al Toukhi Trading Group and Ahmad bin Nasser Al-Swaidan, while WESCOSA was wholly owned by Ali Zaid Al Quraishi & Brothers Company Limited and Abdul-Aziz bin Zaid Al-Quraishi. On 28/05/1426H (corresponding to 05/07/2005G), STC and WESCOSA shareholders, concluded a share swap agreement to merge their respective ownership in the previously separate companies. Whereas the exchange of shares was accomplished through the amendment of the two companies' Memoranda of Association, and whereas neither of the companies bought the other company, no goodwill value arose as a result thereof. The merging of the ownership of the two companies was due to the similarity in the purposes and activities of the two companies, and the desire to enhance the manufacturing capability and competitiveness of the two, in addition to achieving economies of scale and wealth. The following table illustrates the ownership of the two companies before the share swap

Table 4-3: Ownership of the two Companies Before the Share Swap

STC (Pre-share swap capital of SAR 27 million)	
Saad Bin Abdullah Al Tuwaijri	54.3%
Al Toukhi Trading Group	35.2 %
Ahmad Bin Nasser Bin Yacoub Al Swaidan	10.5 %
Total	100%
WESCOSA (Pre-share swap capital of SAR 50 million)	
Ali Zaid Al Quraishi & Brothers Company Limited	95.0%
Abdulaziz Bin Zaid Al Quraishi	5.0%
Total	100%

Source: EIC

Pursuant to a Memorandum of Understanding signed on 13/6/2005G by the shareholders of these two companies, the companies were valued based on methodologies agreed upon by the management of the two companies on the basis of advice received from the independent professional adviser Ernst & Young:

A) The value of the relevant company based on the Price to Earnings Method = average of 2001G, 2002G and 2003G net income multiplied[6] by 11.5x (represents 50% of the Company).

Table 4-4 (A) Net Income Used for Valuation[7]

Net Income Year[7]	STC (SAR MM)	WESCOSA (SAR MM)
2001G Net Income	43.1	21.0
2002G Net Income	34.8	7.1
2003G Net Income	29.8	11.4
Average Net Income for 2001 - 2003	35.9	13.2
50% of the value of the company (price to earnings of 11.5x multiplied by the average net income for those three years)	206.6	75.9

Source: EIC

6 A profit multiplier of 11.5 was used is assessing equity in the companies above, based on an agreement between the shareholders of those companies

7 The end of year mentioned in A and B are as follows: For STC, on December 31 for the years 2001, 2002 and 2003, and for WESCOSA on March 31 for the years 2002, 2003, and 2004.

B) Valuation of the Company based on Price to Book Value Method = average of 2001G, 2002G and 2003G shareholders' equity multiplied by 2.5x (represents 50% of the Company).

Table 4-4 (B) Shareholders' Equity Used for Valuation

Shareholders' Equity Year	STC (SAR MM)	WESCOSA (SAR MM)
2001G Shareholders' Equity	100.2	77.7
2002G Shareholders' Equity	112.6	70.3
2003G Shareholders' Equity	117.0	84.2
Average Shareholders' Equity for those three years	109.9	77.4
50% of the value of the company (price to book value of 2.5x multiplied by the average book value for those three years')	137.4	96.8

Source: EIC

Based on the valuation methodologies above, the value of both companies are as follows:

1) STC = SAR 344.0 million (SAR 206.6 million + SAR 137.4 million) representing (66.6%) of the value of both companies.

2) WESCOSA = SAR 172.6 million (SAR 75.9 million + SAR 96.8 million) representing (33.4%) of the value of both companies.

WESCOSA shareholders, Abdulaziz Al Quraishi and Ali Zaid Al Quraishi & Brothers Company, purchased, prior to the share swap, (6.6%) in both companies for a consideration of (SAR 34,000,000) thirty four million Saudi Riyals in favor of STC shareholders, in order to increase their share in each of the two companies to (40%), as has been agreed upon prior to the share swap.

Based upon the approval of STC and WESCOSA shareholders on the final results of the valuation, and the purchase of the shares as described above, the ownership of both companies became:

Table 4-5: Shareholder Ownership Structure in STC and WESCOSA

Shareholder	Percentage
Ali Zaid Al Quraishi & Bros Co. Ltd.	38.0%
Saad Bin Abdullah Al Tuwaijri	32.6%
Al Toukhi Trading Group	21.1%
Ahmad Bin Nasser Bin Yacoub Al Swaidan	6.3%
Abdulaziz Al Quraishi	2.0%
TOTAL	100%

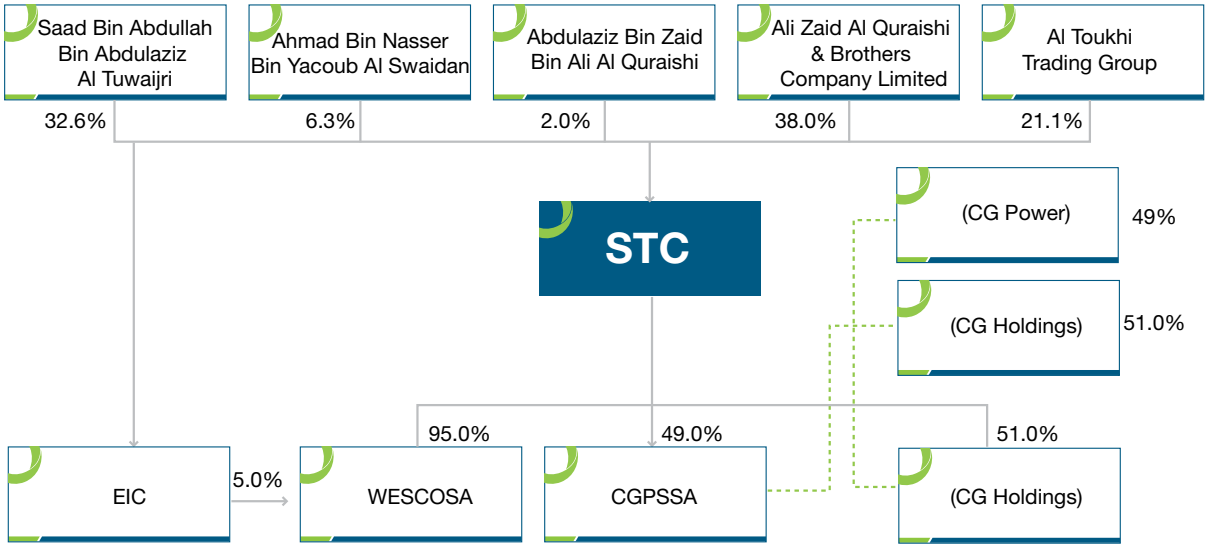
Source: EIC

In 2007 the shareholders of STC and WESCOSA established EIC as a closed joint stock company for the purpose of making it a holding company for STC and WESCOSA. Within three years after the establishment of the Company it remained the holding company that directly and indirectly owned STC and WESCOSA.

In 2010G, two new companies were established: SPTC which was established with CG Power, the Company's technical partner for more than thirty years; and CGPSSA, which was established with CG Holdings. Upon their inception, STC owned (51%) of SPTC and (49%) of CGPSSA.

Following is the ownership structure of the Company, its Subsidiaries and Associates as at the end of 2010G:

Figure 3: The Ownership Structure of the Company, its Subsidiaries and Associates as at the end of 2010G



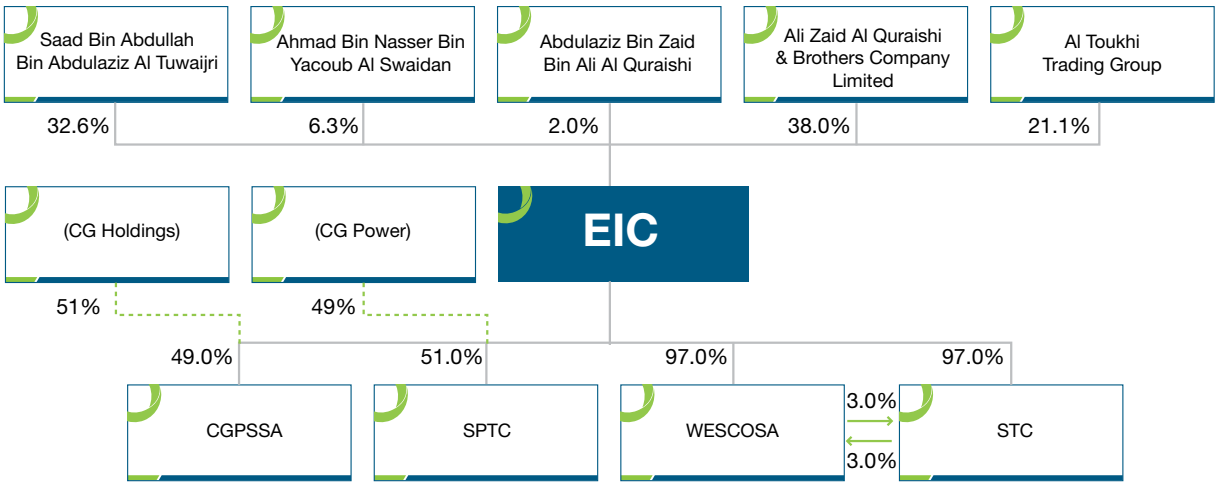
Source: EIC

STC and WESCOSA were again restructured in 2011G making them wholly owned by the Company directly and indirectly. EIC thus became the holding company for both STC and WESCOSA. In 2011G, the Company's paid-up capital was increased from (SAR 2,000,000) two million Saudi Riyals to (SAR 350,000,000) three hundred and fifty million Saudi Riyals through the issuance of (34,800,000) thirty four million and eight hundred thousand shares at a par value of (SAR 10) ten Saudi Riyals per share transferred by the Shareholders to the Company at net book value. In 2012G, STC decided to waive all of its shares in SPTC and CGPSSA's capital to the Company, without any objection from the other shareholder.

On 10/3/2014G, the Company's capital was increase from (SAR 350,000,000) three hundred and fifty million Saudi Riyals to (SAR 450,000,000) four hundred and fifty million Saudi Riyals through the capitalization of (SAR 70,000,000) seventy million Saudi Riyals from retained earnings and (SAR 30,000,000) thirty million Saudi Riyals from statutory reserves.

Following is the ownership structure of the Company, its Subsidiaries and Associates after restructuring as at the date of this Prospectus.

Figure 4: The Ownership Structure of the Company, its Subsidiaries and Associates



Source: EIC

4.5.1 Restructuring Benefits

After completion of the STC and WESCOSA ownership restructuring in 2005G, when they became owned by the same shareholders; all operational competition between them ended, as they were able to take advantage of the possibilities and advantages possessed by each company, in addition to other benefits resulting from the unification of operations. STC specializes in the manufacture of distribution transformers, substations and low voltage switchgear; while WESCOSA specializes in the manufacture of distribution transformers, substations, small power transformers, low voltage switchgear, motor control centers, cable trays, panel boards, cable bus and bus ducts, relays and protection panels, electrical conductors, maintenance and technical support. The restructuring led to the achievement of benefits that include:

- Achieving economies of scale or wealth, leading to a reduction in costs and expenses.
- Enhancing the manufacturing capacity of the two companies.
- Improving the quality of products through the exchange of expertise between the two companies.
- Increasing the number of products, as well as sales volume and production capacity.

Table 4-6: Steps Taken by the Company to Achieve the Goals of the Restructuring Process

Date	Description
September 2005	Centralized all steel fabrications works and combined industrial engineering activities
March 2006	Combined IT activities
December 2006	Expanded production capacity for switchgear product line by utilizing the available facilities in both STC and WESCOSA
April 2007	Unified technical license for transformers business by extending STC license to WESCOSA
June 2007	Combined Human Resources, Transformers Business Unit design, and finance activities
May 2008	Combined purchase activities including steel and copper requirements
August 2008	Combined warehouse activities

Source: EIC

4.6 Subsidiaries and Associates

4.6.1 STC

STC is a limited liability company with a paid-in capital of (SAR 102,750,000) one hundred two million seven hundred fifty thousand Saudi Riyals. It is registered under the commercial registration number 2050006007 dated 7/6/1398H (corresponding to 15/5/1978G) and issued in Dammam, and is fully owned, directly and indirectly, by EIC.

STC engages in the manufacture of distribution transformers, compact substations and low voltage distribution panels/boards. The following summarizes STC's products offering:

1. Distribution transformers including:
   - Three-phase oil-filled transformers for the distribution segment of the market with a power rating up to 3.15 MVA which include two types of transformers:
     - Pad mounted, which is a type of transformer that can be installed on the ground with a power rating up to 3.15 MVA.
     - Special transformers, which are a type of transformer used by clients according to specific criteria and applications, with a power rating up to 3.15 MVA.

2. Substations

- Compact substations, which are self-contained units in a steel housing that contain a hermetically sealed transformer, a metal clad insulated ring main unit, with a power rating up to 3.15 MVA, used in electrical grids, public utilities, residential complexes and factories.
- Unit Stations, which are modular self-contained units containing an airtight transformer, low voltage distribution board, and relay elements. They do not contain ring main units.
- Unity stations are used in electrical grids, residential complexes, factories and public utilities, with a power rating up to 1.5 MVA.

It should be noted that STC's products are manufactured to meet international standards which include IEC and ANSI. STC was granted the International Quality Certificate ISO 9001 in 1994.

The following table illustrates the STC's capital increase since its inception until the date of this Prospectus.

Table 4-7: STC Capital Development

Date	Capital (SAR)	Amount Increased (SAR)	Source of Capital
22/2/1398H (corresponding to 1/2/1978G)	5,300,000	-	Establishment
9/8/1400H (corresponding to 22/6/1980G)	8,000,000	2,700,000	Issuance of new cash shares
25/3/1411H (corresponding to 14/10/1990G)	8,540,000	540,000	Issuance of new cash shares
27/11/1419H (corresponding to 26/3/1999G)	25,000,000	16,460,000	Capitalization of Statutory Reserves Surplus
22/8/1422H corresponding to 8/11/2001G)	27,000,000	2,000,000	Capitalization of Statutory Reserves Surplus
2/1/1430H (corresponding to 30/12/2008G)	55,250,000	28,250,000	Issuance of new cash shares
10/8/1430H (corresponding to 1/8/2009G)	102,750,000	47,500,000	Capitalization of Shareholders' retained Earnings

Source: EIC

4.6.2 STC Developments

The following table summarizes key events in the history of STC

Table 4-8: STC Timeline

Year	Event
1978G	• STC was founded with a capital of SAR 5.3 million.
1980G	• The entry of Pauwels International as a partner and a provider of technical support. • Paid-in capital was increased to SAR 8.0 million.
1982G	• Started production of oil-immersed transformers with a capacity of up to 3,000 transformers per year.
1992G	• Increased production capacity to 5,100 transformers per year.
2000G	• Increased production capacity to 8,000 transformers per year.
2001G	• Pauwels International sold its shares in STC to the remaining shareholders. In turn, making STC a wholly owned Saudi company. • STC commenced design and manufacture of compact substations.

Year	Event
2005G	• The shareholders in STC swapped (40%) of their shares in exchange for (60%) in WESCOSA.
2006G	• Signed an agreement with CG Holdings to extend technical support to STC and WESCOSA for the manufacture of transformers.
2007G	• Increased the production capacity to 11,151 transformers per year
2013G	• Commissioning of Factory 3 with a production capacity of 4,880 transformers per year

Source: EIC

4.6.3 STC Factories

STC has (3) three manufacturing plants in Dammam, Saudi Arabia. The following table summarizes the main information pertaining to these manufacturing facilities:

Exhibit 4-9: STC Factory Production as of 31 December 2013G

Factory	Products/Activities	2013G Production Capacity**	Utilization	Land and Plant Area Size (m^2)*
Transformers Factory (1)	Distribution transformers	Quantity: 11,151 Capacity: 6,690 MVA	Quantity: 6,681 Capacity: 5,439 MVA	Land Area Size: 16,580 Factory Area Size: 8,580
Substations Factory (2)	Compact and Unit stations	Quantity: 3,600	Quantity: 3,477	Land Area Size: 8,225 Factory Area Size: 4,600
Transformers Factory (3)	Distribution transformers	Quantity: 4,880 Capacity: 2,179 MVA	Quantity: 3,577 Capacity: 2,440 MVA	Land Area Size: 24,375 Factory Area Size: 4,953

Source: EIC

* The land on which Factories 1 and 3 are located is leased from MODON; while the Company owns the land on which Stations Factory 2 is located.

** Production is a mix between capacity and quantity; whereby if capacity decreases it is possible to increase the quantity, and vice versa.

4.6.4 WESCOSA Overview

WESCOSA is a limited liability company with a fully paid-in capital of (SAR 64,000,000) sixty four million Saudi Riyals, registered under Commercial Registration number 2050004182 dated 19/8/1396H (corresponding to 15/8/1976G) issued in Dammam. WESCOSA is fully owned, directly and indirectly, by EIC.

WESCOSA manufactures transformers and substations, low and medium voltage switchgear, and provides maintenance and technical support. The following is a summary of the products offered by WESCOSA:

1. Transformers and Substations

WESCOSA manufactures small power transformers with a capacity rating ranging up to 20 MVA, in addition to distribution transformers and compact substations of varying capacity up to 3.15 MVA. Furthermore, WESCOSA is the only manufacturer in Saudi Arabia that manufactures power transformers with a power capacity of up to 20 MVA.

WESCOSA was the first manufacturer of stainless steel transformers in the GCC and MENA regions for use in offshore environments. This type of transformer is rust resistant, and conditioned to sustain extreme weather, and work conditions such as those associated with off shore oil rigs.

2. Low and Medium Voltage Switchgear

WESCOSA manufactures a comprehensive range of low and medium voltage switchgears, switchgears, low voltage distribution panels/boards, motor control centers, electrical conductors, cable bus and bus ducts and cable trays. WESCOSA's low and medium voltage switchgear products are produced

according to ANSI standards. In 2011G the Company began broadening its product range to encompass IEC standards. Required testing was completed in the middle of 2014G for medium voltage products, and the Company will begin participating in tenders in the third quarter of 2014G. IEC compliant low voltage switchgear testing is expected to be completed by the end of 2014G.

3. Maintenance and Technical Services

WESCOSA provides maintenance, repair, inspection, development, study and maintenance of products and electrical and mechanical systems and related business. It also provides testing services for electrical equipment on sites and in projects.

WESCOSA's Capital

The following table summarizes the development of paid-in capital for WESCOSA from inception until the date of this Prospectus:

Exhibit 4-10: WESCOSA Capital Development

Date	Paid-In Capital (SAR)	Amount Increased (SAR)	Source of Capital
11/8/1396H (corresponding to 7/8/1976G)	2,441,475	-	Establishment
14/8/1404H (corresponding to 16/5/1984G)	4,247,500	1,806,025	Issuance of new cash shares
1/6/1413H (corresponding to 25/11/1992G)	8,600,000	4,352,500	Capitalization of retained earnings in the amount of SAR 2,352,200 and the issuance of new cash shares in the amount of SAR 2,000,000
4/9/1416H (corresponding to 24/1/1996G)	10,000,000	1,400,000	Capitalization of the balance of excess retained earnings
5/3/1418H (corresponding to 10/7/1997G)	11,300,000	1,300,000	Capitalization of the balance of excess retained earnings
14/2/1421H (corresponding to 18/5/2000G)	30,000,000	18,700,000	Capitalization of the balance of excess retained earnings
29/1/1422H (corresponding to 23/4/2001G)	50,000,000	20,000,000	Capitalization of the balance of excess retained earnings
4/6/1433H (corresponding to 20/4/2012G)	64,000,000	14,000,000	Capitalization of the balance of excess retained earnings

Source: EIC

4.6.5 WESCOSA Developments

The following table summarizes key events in the history of WESCOSA

Exhibit 4-11: WESCOSA Timeline

Year	Event
1976G	• WESCOSA was formed as a joint venture between Westinghouse Electric Corporation of the USA and Ali Zaid Al Quraishi & Bros. Co. of Saudi Arabia; whereby Westinghouse owned (60%) of the company and Ali Zaid Al Quraishi & Bros. Co. Ltd. owned (40%) thereof.
1978G	• Introduction of cable trays to its product offering under a license agreement with US-based MP Husky
1979G	• Introduction of oil-filled transformers under a license agreement arranged with Westinghouse Electric Corporation of the USA

Year	Event
1983G	• Introduction of dry transformers under a license agreement arranged with Westinghouse Electric Corporation of the USA
1988G	• Ali Zaid Al Quraishi & Bros. Co. Ltd. acquired full ownership (100%) of WESCOSA under a new Saudi identity of WESCOSA
1992G	• Introduction of 600 V panel boards and motor control centers (MCC) under a license agreement arranged with Cutler-Hammer of the USA
1992G	• Introduction of medium voltage switchgears under a license agreement arranged with Powell Electrical Systems of the USA
1993G	• License agreement arranged with Unibus Inc. (USA) Please refer to Section 13.2.1 “Licensing, Supply, Advisory Services and Technical Support Agreements” for more details
1994G	• Following Westinghouse›s acquisition by Eaton Corp., WESCOSA had to extend all Westinghouse licenses with Eaton Corp.
1995G	• Established a general maintenance and services department for electrical power products manufactured by WESCOSA
2001G	• Developed cable buses for low and medium voltages under a licensing agreement arranged with MP Husky, making WESCOSA the first manufacturer of cable buses in the Middle East
2003G	• Registered WESCOSA as a global trademark
2005G	• The shareholders of WESCOSA swapped (60%) of their shares in exchange for (40%) in STC
2006G	• Signed an agreement with CG Holdings to extend technical support to WESCOSA for the manufacture of low and medium voltage transformers. • Introduced IEC and ANSI compliant control and relay and protection panels to fulfill the demands of SEC and Saudi Aramco oil and gas contractors
2007G	• Increased the production capacity of the transformers factory to 9,120 • WESCOSA developed and tested its own low and medium voltage cable bus system without relying on American MP Husky
2008G	• Signing of agreements to manufacture low voltage relay and protection panels with Hensel GmbH of Germany
2010G	• WESCOSA was the first company in the GCC and MENA region to introduce heat resistant transformers (SLIM)
2011G	• WESCOSA initiated development of own IEC complaint low and medium voltage switchgear
2013G	• Start of commercial operations at the new cable trays factory
2014G	• Passed testing for medium voltage electrical switchgear as per IEC standards

Source: EIC

4.6.6 WESCOSA Factories

WESCOSA owns five factories in Dammam, Saudi Arabia. The following table summarizes WESCOSA's manufacturing facilities:

Exhibit 4-12: WESCOSA Factory Production as of 31 December 2013G

Factory	Products/Activities	Production Capacity	Utilization	Land and Plant Area Size (m^2)*
Transformers Factory (4)	Low capacity power transformers up to 20 MVA, and distribution transformers up to 3.15 MVA	Quantity: 9,120 Capacity: 5,472 MVA	Quantity: 8,801 Capacity: 3,867 MVA	Land Area Size: 16,580 Factory Area Size: 9,417
Stations Factory (5)	Compact and Unit Substations	3,000	2,821	Land Area Size: 24,375 Factory Area Size: 4,100
Central Steel Formation Factory (6)	Produce and paint metal and other components used in low and medium voltage transformers and electrical switches	20,370 transformer tanks 5,400 metal station frames 6,240 main and auxiliary switchgear panels 4,500 meters of cable bus	20,370 transformer tanks 5,400 metal station frames 4,813 main and subset switchgear 4,371 meters of cable bus	Land Area Size: 19,910 Factory Area Size: 8,355
Switchgear Factory (7)	Motor control centers, low voltage switchgear panels Relay and protection panels Electrical conductors and cable bus	Main panels (motor control centers, low voltage switchgear panels): 2,500 units Auxiliary panels (relay and protection panels and trays): 5,000 units Electrical conductors and cable bus: 4,500 meters	Main panels: 1,217 units Auxiliary panels: 3,681 units Cable bus: 4,371 meters	Land Area Size: 16,000 Factory Area Size: 7,200
Cable Tray Factory (8)	All cable tray related products, i.e., ladders, ladder fittings, and accessories	1,900,200 meters distributed among different products	942,596 meters	Land Area Size: 13,125 Factory Area Size: 3,800

Source: EIC

* All the land on which WESCOSA factories are located is leased from MODON, except the 2,787 m^2 parcel of land on which part of the Central Steel Formation Factory (6) is located, which is owned by the Company.

4.6.7 Saudi Power Transformers Company

SPTC is a limited liability company with a fully paid-in capital of (SAR 30,200,000) thirty million two hundred thousand Saudi Riyals and registered under Commercial Registration number 2050073249 dated 21/12/1431H (corresponding to 28/11/2010G) issued in Dammam. SPTC was set up as a joint venture between STC (51%) and CG Power (49%).

Upon its founding in 2010G, SPTC was (51%) owned by STC and (49%) owned by CG Power. But, in 2012G, shares owned by STC in SPTC were transferred to EIC, and the Articles of Association were amended with the consent of the foreign shareholder CG Power. Furthermore, a SAGIA license was obtained and the amendment to the Articles of Association was documented with the notary public and

the Ministry of Commerce and Industry.

SPTC manufactures medium capacity power transformers with a power capacity between 20 MVA and up to 100 MVA, and voltages ranging from 72.5 KV to 145 KV.

It should be noted that SPTC is the first company in Saudi Arabia to manufacture transformers with a capacity rating between 20 MVA up to 100 MVA. In addition, SPTC will provide maintenance, technical support, detection, modification and testing to users of these transformer.

SPTC began pilot production in 2013G, and produced and shipped its first transformers in April 2013G. In December 2013G and May 2014G respectively, it received approvals from SABIC and SEC to become one of their authorized supplier of power transformers. SPTC is still in the process of finalizing procedures to obtain approval from ARAMCO to become one of its authorized suppliers.

4.6.8 SPTC's Capital

The following table summarizes the increase in SPTC's capital from inception until the date of this Prospectus

Exhibit 4-13: SPTC Capital Development

Date	Paid-In Capital (SAR)	Amount Increased (SAR)	Source of Capital
17/12/1431H (corresponding to 23/11/2010G)	22,500,000	-	Establishment
28/1/1434H (corresponding to 12/12/2012G)	30,200,000	7,700,000	Issuance of new cash shares

Source: EIC

4.6.9 SPTC Factory

SPTC owns one factory in the city of Dammam, Saudi Arabia. The following table summarizes the main information pertaining to that factory:

Exhibit 4-14: SPTC Factory as at December 31, 2013G

Factory	Products/Activities	Production Capacity	Utilization	Land and Plant Area Size (m^2)*
SPTC Factory (9)	Medium capacity power transformers between 20 MVA, and 100 MVA	Quantity: 100 Capacity: 5,000 MVA	Quantity: 10 Capacity: 250 MVA	Land Area Size: 42,000 Factory Area Size: 11,000

Source: EIC

* The land on which is located SPTC Factory (9) is leased from MODON

4.6.10 CG Power Systems Saudi Arabia (Associate Company)

CGPSSA is a limited liability company with a fully paid-in capital of SAR 11.25 million, registered under number 2050073251 dated 21/12/1431H (corresponding to 28/11/2010G) issued in Dammam. CGPSSA is a joint venture between STC (49%) and CG Holdings (51%).

Upon its founding in 2010G, CGPSSA was (49%) owned by STC and (51%) owned by CG Holdings. But, in 2012G, shares owned by STC in CGPSSA were transferred to EIC, and the Articles of Association were amended with the consent of the foreign shareholder CG Holdings. Furthermore, a SAGIA amended license was obtained and the Ministry of Commerce and Industry approved the AoA, the documentation of the amendment of which is ongoing with the notary public.

CGPSSA implements engineering, procurement and construction (EPC) contracts that entail the installation of medium voltage and mobile substations, as well as testing, installation and service thereof. CGPSSA began offering its services in 2012G.

4.6.11 Vision and Mission of the Company

4.6.11.1 Vision

To be the preferred partner for comprehensive power solutions in countries of the GCC and MENA regions.

4.6.11.2 Mission

- Pursue growth and business development opportunities in the power sector in order to maximize the Company's market share and return on investment, while committing to its corporate social responsibility.
- Expend every effort to satisfy our clients' needs by providing high quality products and services while implementing safe, healthy and environment- friendly standards.
- Attract Saudi nationals to work for the Company, and provide them with training and sustainable growth opportunities.

4.6.12 Strategy

- Work to increase and develop the current production capacity of some of the Company's products and guarantee their quality.
- Develop new products, especially in the switchgear department, and expand the service department.
- Establish and support, with the help of strategic partners, specialized companies in the energy sector.
- Continue to improve the Company's operations through the streamlining of costs and raising the efficiency of operations.
- Invest in new and complementary products inside and outside the Kingdom.
- Bolster the Company's relationship with existing clients, and work towards entering additional selected markets.
- Continue to increase the Saudization rate in technical and administrative positions, through appropriate training programs.

4.6.13 Company Clients

The table below summarizes EIC and its Subsidiaries' sales to its main clients: SEC and Saudi Aramco oil and gas sector contractors, with the percentage of net sales to each client during 2011G, 2012G and 2013G:

Exhibit 4-15: EIC Clients Representing more than (5%) of Company Revenues

Client / Client Sector	2011G Sales (SAR MM)	% of Total Sales	2012G Sales (SAR MM)	% of Total Sales	2013G Sales (SAR MM)	% of Total Sales
SEC	505.8	52.6%	416.3	39.2%	627.7	48.8%
Saudi Aramco design, supply and implementation contractors in the oil and gas sector	174.1	18.1%	207.6	19.5%	333.0	25.9%
Total	680	70.8%	623.9	58.7%	959.7	74.7%

Source: EIC

4.6.14 Strengths and Competitive Advantages

The Company believes that it possesses a number of competitive advantages and value added benefits that distinguish its products and services from those of its competitors, which have helped EIC become a leader in the low and medium voltage transformer and switchgear market in Saudi Arabia, as well as a leading supplier of transformers to GCC countries. The Company's key competitive advantages include:

1. 1. Product Diversification and Customization

EIC offers a more extensive range of products than its competitors, with a capability to manufacture specialized transformers to meet customer-specific needs. Through its diversified product and service offerings EIC is able to offer its customers a one-stop shop for electrical distribution and control equipment and services, allowing it to implement multiple simultaneous contracts with various clients, and service clients in different sectors. In addition, the Company's ability to design and produce customized products has enabled it to achieve higher profit margins than those generated by standardized products.

2. Quality of Products

The Company's products and services are characterized by their high quality consistent with international (IEC) and American (ANSI) standards, making the Company an essential and preferred resource for clients. It is worth noting that, since its inception to date, the Company has not faced any substantive claims related to the quality of its products.

3. The Company's Leadership in the Manufacture of Transformers and other Electrical Products

The Company is considered to be a leading manufacturer of transformers and other electrical products through the manufacturing of products that meet client needs. For example, EIC, through SPTC, is the only Saudi Arabian manufacturer of power transformers with a capacity of up to 100 MVA.

EIC is also considered to be the first company in the GCC and the Middle East to introduce heat resistant transformers (SLIM) under the license from CG Power Systems. SLIM transformers have higher mechanical strength, a very compact design, can be operated at higher temperature, and primarily used in schools, hospitals and other enclosed spaces that satisfy project and small location safety specifications.

It should be noted that EIC is the only Saudi Arabian manufacturer of subsurface pump systems used in the oil and water sector. Furthermore, in 2013G, it commenced production of special application transformers made completely from stainless steel for use in offshore environments.

4. Flexible Manufacturing Capabilities

EIC is considered to be the possessor of the largest installed manufacturing capacity of transformers in the Middle East; offering a variety of products to meet the needs of major clients for large scale projects. This in turn enhances EIC's competitive position vis-à-vis its competitors, whereby it can modify its product specific production capacity according to changing demand and specification needs.

5. Strong Relationships with Leading Global Companies to Provide Technical Support

EIC has technical agreements with leading international companies to manufacture electrical products (which include transformers, compact substations, low and medium voltage switchgears, electrical transmitters, etc.), which give EIC access to the latest technologies (for more details, please refer to Section 13.2 of this Prospectus entitled "Summary of Material Agreements"); whereby the Company operates under a licensing agreement with CG Power considered to be one of the world's top ten manufacturers of transformers, possessing a global reputation for innovation and reliability (for more details, please refer to Section 13.2.2 of this Prospectus "Joint Venture Agreements").

EIC also has an alliance with Eaton Corp. (USA) for the design and production of low and medium voltage switchgears. Eaton Corp. is a Fortune 500 company and global leader in power distribution, control and industrial automation products and services.

Through these technical arrangements, the Company sourced the technical and design expertise, support and technical training of the Company's employees, required to manufacture high quality products to its customers at competitive prices.

6. Regional and International Sales Agents and Representatives

The Company sells and exports its products abroad through Subsidiaries, agents and sales representatives; WESCOSA and STC sell their products in the UAE through EIC's branches in Dubai and Abu Dhabi. The Company also currently has twelve (12) sales agents and representatives in the MENA region, as well as in South Korea, as shown below:

- STC agency agreement for Saudi Transformers Company with Universal Electro-Engineering Company (UNEECO) in Bahrain;
- STC agency agreement with Arabian Construction Engineering Company (ACEC) in Qatar;
- WESCOSA Sales Collaboration Agreement with Venture Gulf Group (Qatar);
- WESCOSA Agency Agreement with Al Jahma Trading Co (Kuwait);
- STC Agency Agreement with Faddan General Trading and Contracting Co. (Kuwait);
- STC Agency Agreement with Bin Salem Co. Ltd (Oman);
- STC Sales Representative Agreement Al Ashwaal for Electric Trade and Agencies (Yemen);
- STC Agency Agreement with Al Bawadi Trading Co. (Jordan);
- STC Sales Representative Agreement with Al Najah Al Kabeer Co. (Iraq);
- STC Sales Representative Agreement with Nawar Sukkar and Co. (Syria);
- WESCOSA Contractor Sales Collaboration Agreement with Cheonwu Trading Co. (S. Korea); and
- WESCOSA Contractor Commercial Agency Agreement with Egytec Projects (Egypt).

7. Alliances with CG Power as a strategic partner

EIC's alliance with CG Power, formerly known as Pauwels Trafo, dates back to 1980G, when it was a strategic partner in STC. In addition to that, CG Power provides technical support for the manufacture of distribution transformers. This strategic relationship continued even after the CG Power CG Power (when it was known as Pauwels Trafo) sold its stake in STC in 2001G. In 2010G, this alliance was strengthened through the establishment of SPTC, in which EIC owns (51%) and CG Power owns (49%).

8. Long Standing Relationships with the Saudi Electricity Company (SEC)

EIC has enjoyed a long standing relationship with SEC since 1982G, pursuant to which it satisfies SEC's needs for electrical products, such as transformer substations, that are used in SEC projects. For example, the Company supplied SEC with 11,444 transformers in 2011G; 11,593 transformers in 2012G, and 14,260 transformers in 2013G; as well as 3,370 compact distribution substations in 2011G; 2,900 in 2012G and 5,350 in 2013G respectively.

Furthermore, EIC has successfully collaborated with SEC to develop a prototype substation, and develop transformer standards, through the design of a prototype that meets SEC specifications.

9. Long Standing Relationships with Design, Supply and Implementation Contractors for Saudi Aramco oil and gas Sector Projects.

The Company enjoys a long-term relationship with design, supply and implementation contractors for Saudi Aramco oil and gas sector projects, dating back to 1985G. The Company is one of the major authorized suppliers for Saudi Aramco projects, where it specializes in the production of special applications transformers which are used in subterranean gas and oil sector pumps. Since 1985G, the Company has met Saudi Aramco's needs for locally manufactured electrical products and participated

in most of Saudi Aramco's projects in Saudi Arabia, through the supply of products and services; which led to the strengthening of the Company's relationship with Saudi Aramco, as well as global construction companies with which it deals, such as Schneider, Hyundai Engineering Co. Ltd and Schlumberger. For example, in 2010G, the Company supplied 450 special applications transformers used by Saudi Aramco in Khurais, which is considered a large number for a single project. It is worth mentioning that these special applications transformers enjoyed great success, which helped the Company supply more of them in subsequent years to different clients. The Company supplied 117 special applications transformers in 2011G, 206 in 2012G, and 240 in 2013G.

10. Local Manufacturing Company

EIC benefits from its status as a local manufacturer for the following reasons:

- EIC is able to offer shorter delivery times and quick response after-sales support which places it in a better position to compete with other manufacturers:
  - Transportation time for a foreign manufacturer can take up to one or two months. Late deliveries to clients result in penalties, in addition to customs and transportation costs, thus reducing margins for international suppliers.
  - On-the-ground presence inside the Kingdom enables the Company to have continuous and direct interaction with its clients, and enables EIC to provide its clients with required services within 24 hours.
  - Provide clients the opportunity to check and follow-up on products, on a continuous and lower cost base throughout the manufacturing process.
- The Company enjoys preferential treatment in catering to many of the local projects, whereby government agencies and some companies such as Saudi Aramco, prefer to deal with domestic manufacturers.

11. Successful Operating Record and Recognized Brand Name

Through its Subsidiaries, the Company has enjoyed a successful operating track-record over the past 35 years in the manufacture of low and medium voltage transformers, electrical switchgears and other electrical power distribution products, making EIC one of the largest manufacturers of such products in the region, where its market share amounted to (52%) of the total market for distribution transformers in the Kingdom during 2013G. (For further details please refer to Section 3.3 ("The Company's Estimated Share of the Market") of this prospectus.

12. Positive Financial Position and Cash Flows

The Company enjoys a strong financial position and positive cash flows. Operating cash flows for 2013G reached SAR 241.9 million (SAR 21.6 million in 2012G), enabling it to cover its operational and capital needs, in addition to the disbursement of dividends to its shareholders.

13. Strong Long Standing Relationships with Suppliers

EIC has established strong long term relationships with its suppliers allowing the Company to gain from uninterrupted raw material supply at competitive prices.

Exhibit 4-16: Key Suppliers of Raw Material to the Company

Material	Supplier	Country	Relationship Period
Silicon Steel - Special treated steel used to manufacture the core of transformers			
	A.K. Steel	USA	12 years
	Marubeni Itochu	Japan	16 Years
	Peter Cremer-Thyson	Germany	16 Years
	Samsung-POSCO	South Korea	10 Years
	Sumitomo-Nippon	Japan	20 Years
	Unisteel-Cogent	UK	11 Years
SPD Steel- Cold rolled steel used to manufacture the cooling fins of transformers			
	Samsung-Posco	South Korea	20 Years
	Hadeed-Sabic	Saudi Arabia	10 Years
	Al Bawardi Steel	Saudi Arabia	20 Years
Copper			
Wire - Round wires made of copper to manufacture the HV coils of the active part of transformers			
	Essex	Italy	21 Years
	El-Sewedy	Saudi Arabia/Egypt	11 Years
Foil - Flat copper sheets used to manufacture the LV coils of active part of transformers			
	M.K.M.	Germany	15 Years
	KME	Germany	11 Years
	Wieland	Germany	16 Years
Raw Copper - Copper cathode used to manufacture copper wire, copper foil and copper bars			
	RMM Metal	Germany	15 Years
	ODDO	France	3 Years
Bars - Bars of copper used for the connection of LV distribution panel			
	Gindre	France	20 Years
	Oriental Copper	Thailand	8 Years
Transformer Oil - Mineral oil used for cooling and insulation of oil-filled transformers			
	Gulf Chemicals	Saudi Arabia	10 Years
	Chemtrade-Nynas	Saudi Arabia	20 Years
	Apar	India	8 Years
RMU (Ring Main Unit) - A medium voltage disconnect switch used in manufacture of switchgears			
	Schneider Electric	Saudi Arabia	15 Years
	Lucy Switcher	Saudi Arabia	12 Years

Source: EIC

14. Prominent Board Members and Highly Experienced Management Team

- EIC has prominent Board Members, with diverse expertise and long experience averaging 20 years, who define EIC's mission, goals and strategic objectives. In addition, the Board oversees the Company's business to ensure efficiency and effectiveness of future plans in general.
- EIC has been successful in retaining its senior management team, developing qualified employees, and promoting them to senior positions within the Company, as well as attracting national competencies with experience in the management of large projects.

15. Other Competitive Advantages

- The ability to continuously operate production lines and maximize utilization of its production capacity, which increases operating efficiency. EIC is able to accomplish this due to its stringent quality control checks and efficient design management that limits production inefficiencies.
- Maintenance efficiency contributes in reducing production equipment breakdowns, which leads to a positive impact on the production process.
- The presence of a highly experienced technical staff contributing in the design and manufacture of products that meet the highest technical standards.

4.7 Direct Ownership Structure

The following table summarizes the ownership structure pre and post Offering:

Exhibit 4-17: EIC Ownership Structure Pre and Post Offering

Shareholder	Pre-Offering			Post-Offering		
	Shares	%*	Capital (SAR)	Shares	%*	Capital (SAR)
Ali Zaid Al Quraishi & Brothers Company Limited	17,100,000	38.0%	171,000,000	11,970,000	26.60%	119,700,000
Saad Bin Abdullah Bin Abdulaziz Al Tuwaijri	14,665,500	32.59%	146,665,000	10,265,850	22.81%	102,658,500
Al Toukhi Trading Group	9,499,500	21.11%	94,995,000	6,649,650	14.78%	66,496,500
Ahmad Bin Nasser Bin Yacoub Al Swaidan	2,835,000	6.30%	28,350,000	1,984,500	4.41%	19,845,000
Abdulaziz Bin Zaid Bin Ali Al Quraishi	900,000	2.00%	9,000,000	630,000	1.40%	6,300,000
Public	0	0.0%	0	13,500,000	30.0%	135,000,000
Total	45,000,000	100.0%	450,000,000	45,000,000	100.0%	450,000,000

Source: EIC

* Listed ownership percentages are approximate.

4.8 Overview of EIC Shareholders

4.8.1 Ali Zaid Al Quraishi and Brothers Company Limited

Ali Zaid Al Quraishi & Brothers Company Limited is a leading investment group owned by members of the Al Quraishi family and established in 1971G. The group started with a focus on leisure goods, consumer goods & household products distribution and wholesale. Over the years the group expanded its sector coverage by operating and investing in the fields of industrial manufacturing, electrical equipment distribution, automobile dealerships, telecom and IT, real estate developments, financial services and insurance. The group has a presence across Saudi Arabia in addition to presence in other GCC markets. The group operates through 3 main offices in Saudi Arabia, 9 subsidiaries and

12 associate and joint venture companies. The group is associated with many famous international companies including amongst others, Citizen, Canon, Samsonite, United Biscuits, Hero, Weetabix, Mattel, 3M, Henkel, Eaton, Chrysler, Fiat, Phillips, Motorola, TECO, Credit Suisse and RSA. The following table shows the ownership structure of Ali Zaid Al Quraishi and Bros. Co, which is registered under Commercial Registration number 2050002633 on 5/11/1391H (corresponding to 23/12/1971G) with a paid-in capital of (SAR 100,000,000) one hundred million Saudi Riyals.

The shareholders of Ali Zaid Al Quraishi and Bros Co. Ltd consist of five investment holding companies, each of which was set up to hold the shares owned by each of Ali Zaid Al Quraishi's five children and their respective families. The following table illustrates the ownership of Ali Zaid Al Quraishi & Bros., which, pre-offering, owned (38%) of EIC, in addition to details about the stake of companies that own shares in Ali Zaid Al Quraishi and Bros Ltd.

Exhibit 4-18: Ali Zaid Al Quraishi and Bros Co. Ltd.'s Ownership Structure

Shareholder in Ali Zaid Al Quraishi and Bros. Company	Percentage Ownership in Ali Zaid Al Quraishi and Bros. Company Ltd.	Shareholders in the company that owns Ali Zaid Al Quraishi and Bros Co. Ltd.	Percentage Ownership in Ali Zaid Al Quraishi and Bros. Company Ltd.	Indirect Ownership in EIC Pre-Offering*
Ali Zaid Al Quraishi and Sons Company	20.0%	Ali Bin Zaid Al Quraishi	20%	1.5%
		Yousef Bin Ali Bin Zaid Al Quraishi	20%	1.5%
		Ahmad Bin Ali Bin Zaid Al Quraishi	20%	1.5%
		Hala Bint Ali Bin Zaid Al Quraishi	10%	0.8%
		Lamya Bint Ali Bin Zaid Al Quraishi	10%	0.8%
		Laila Bint Ahmad Bin Mashari Al Dukhayel	20%	1.5%
Abdulaziz Zaid Al Quraishi and Sons Company	20.0%	Abdulaziz Bin Zaid Bin Ali Al Quraishi	50%	3.8%
		Amaal Bint Abdulaziz Bin Mansoor Al Turki	10%	0.8%
		Adel Bin Abdulaziz Bin Zaid Al Quraishi	20%	1.5%
		Nada Bint Abdulaziz Bin Zaid Al Quraishi	10%	0.8%
		Sarah Bint Abdulaziz Bin Zaid Al Quraishi	10%	0.8%
Khalid Zaid Ali Al Quraishi and Company	20.0%	Khalid Bin Zaid Bin Ali Al Quraishi	40%	3.0%
		Majid Bin Khalid Bin ZaidAl Quraishi	40%	3.0%
		Haifa Bint Khalid Bin Zaid Al Quraishi	20%	1.5%

Shareholder in Ali Zaid Al Quraishi and Bros. Company	Percentage Ownership in Ali Zaid Al Quraishi and Bros. Company Ltd.	Shareholders in the company that owns Ali Zaid Al Quraishi and Bros Co. Ltd.	Percentage Ownership in Ali Zaid Al Quraishi and Bros. Company Ltd.	Indirect Ownership in EIC Pre-Offering*
Saleh Zaid Al Quraishi and Sons Company	20.0%	Saleh Bin Zaid Bin Ali Al Quraishi	60%	4.6%
		Faisal Bin Saleh Bin Zaid Al Quraishi	20%	1.5%
		Fawaz Bin Saleh Bin Zaid Al Quraishi	20%	1.5%
Abdulrazak Zaid Al Quraishi and Partners Company	20.0%	Abdulrazak Bin Zaid Bin Ali Al Quraishi	60%	4.6%
		Suleiman Bin Abdulrazak Bin Zaid Al Quraishi	20%	1.5%
		Nawaf Bin Abdulrazak Bin Zaid Al Quraishi	20%	1.5%

Source: EIC

* Listed ownership percentages are approximate.

4.8.2 Al Toukhi Trading Group

Al Toukhi Trading Group ("Al Toukhi") is a limited liability company, registered under Commercial Registration number 1010127687 on 15/3/1415H (corresponding to 23/8/1994G) with a paid-in capital of (SAR 1,000,000) one million Saudi Riyals owned by members of the Al Toukhi family. Al Toukhi began its operations in Saudi Arabia but expanded its businesses into the UAE, Lebanon and the USA. Al Toukhi group companies primarily operate in the following sectors:

- Electrical, communications and electronic network contracting.
- General contracting for buildings
- Trading in electrical equipment, mechanical equipment, pharmaceuticals, cosmetics and accessories.
- Purchasing land for the purpose of erecting buildings and subsequently selling or renting these buildings for the benefit of Al Toukhi Trading Group.

Al Toukhi Trading Group does not engage in any competing activities that result in a conflict of interest with the Company, but purchases electrical transformers and switchgear from the Company for its projects.

It should be noted that Al Toukhi Trading Group has an associated company, Al Toukhi for Industry, Trading & Contracting, which operates in the implementation of turnkey engineering, procurement and construction (EPC) contracts for high-voltage power generation and transmission projects. The company is classified as a contractor of the first category, while CGPSSA is engaged in the field of implementing EPC contracts, which includes the installation of medium voltage substations and mobile substations, as well as testing and installation and maintenance.

The following table illustrates the ownership structure of Al Toukhi Trading Group, which, pre-offering, owns (21.1%) of EIC.

Exhibit 4-19: Al Toukhi Trading Group Ownership Structure

Shareholder	Ownership in Al Toukhi Trading Group*	Indirect Ownership in EIC Pre-Offering*
Mahmoud Bin Mohammed Bin Mahmoud Al Toukhi	21.8%	4.6%
Mazen Bin Mohammed Bin Mahmoud Al Toukhi	21.8%	4.6%
Mounir Bin Mohammed Bin Mahmoud Al Toukhi	21.8%	4.6%
Mona Bint Hassan Bin Kamel Adham	12.8%	2.7%
Majeda Bint Mohammed Bin Mahmoud Al Toukhi	10.9%	2.3%
Manal Bint Mohammed Bin Mahmoud Al Toukhi	10.9%	2.3%

Source: EIC

* Listed ownership percentages are approximate.

4.8.3 Current Shareholders Directly or Indirectly Owning (5%) or More in the Company

Exhibit 4-20: Current Shareholders Directly or Indirectly Owning 5 percent or More in the Company

Name	Vehicle Company	Indirect Owner-ship*	Directly Owned Shares	Direct Ownership*	Indirectly Owned Shares	Total Ownership Percent-age*	Total Number of Shares
Ali Zaid Al Quraishi and Bros Co. Ltd.	-	-	-	38%	17,100,000	38%	17,100,000
Saad Bin Abdullah Bin Ab-dulaziz Al Tuwaijri	-	-	-	32.6%	14,665,500	32.6%	14,665,500
Al Toukhi Trading Group	-	-	-	21.1%	9,499,500	21.1%	9,499,500
Ahmad Bin Nasser Bin Yacoub Al Swaidan	-	-	-	6.3%	2,835,000	6.3%	2,835,000
Abdulaziz Bin Zaid Bin Ali Al Quraishi	Ali Zaid Al Quraishi and Bro Company Ltd.	3.8%	133,000	2.0%	900,000	5.8%	1,033,000

Source: EIC

* Listed ownership percentages are approximate.

4.8.4 Future Plans

The Company continuously aims to increase sales and maintain its leadership position in the domestic and foreign markets. Management has adopted plans for the following:

- **EIC Standard Low and Medium Voltage Switchgear:** The company began expanding into the IEC compliant low and medium voltage switchgear market in order to provide clients with a comprehensive package of solutions. The switchgear market is divided into two categories of products: products compatible with American standards (ANSI) and products compatible with international standards (IEC). The market for ANSI compliant switchgear accounts for (40%) of the GCC and MENA markets, while IEC compliant switchgear account for (60%) of the total market in the GCC and MENA regions. The Company currently manufactures low and medium voltage ANSI compliant switchgear. In 2011G, it began developing a product range that includes products conforming to international standards (IEC), required testing for medium voltage products was completed in mid-2014G, and the Company will begin entering into tenders in the third quarter of 2014G. Testing of low voltage IEC compliant switchgear is expected to be completed by the end of 2014G.

- **Substation Automation:** With the continuous development in technologies, end-users in most industrial sectors are now using automated substations to meet their requirement for continuous real time monitoring, and protection, which reduces reliance on the human element in operating the electrical network and the system as a whole. In order to remain competitive as well as meet the increasing demand in the market for substation automation, WESCOSA, is in the process of adding automation and Building Management System (BMS) to its product offering. The said system is used to remotely monitor the performance of building equipment including mechanical and electrical equipment such as ventilation, lighting, power, fire suppression, and protection systems, in most government, commercial and industrial buildings.

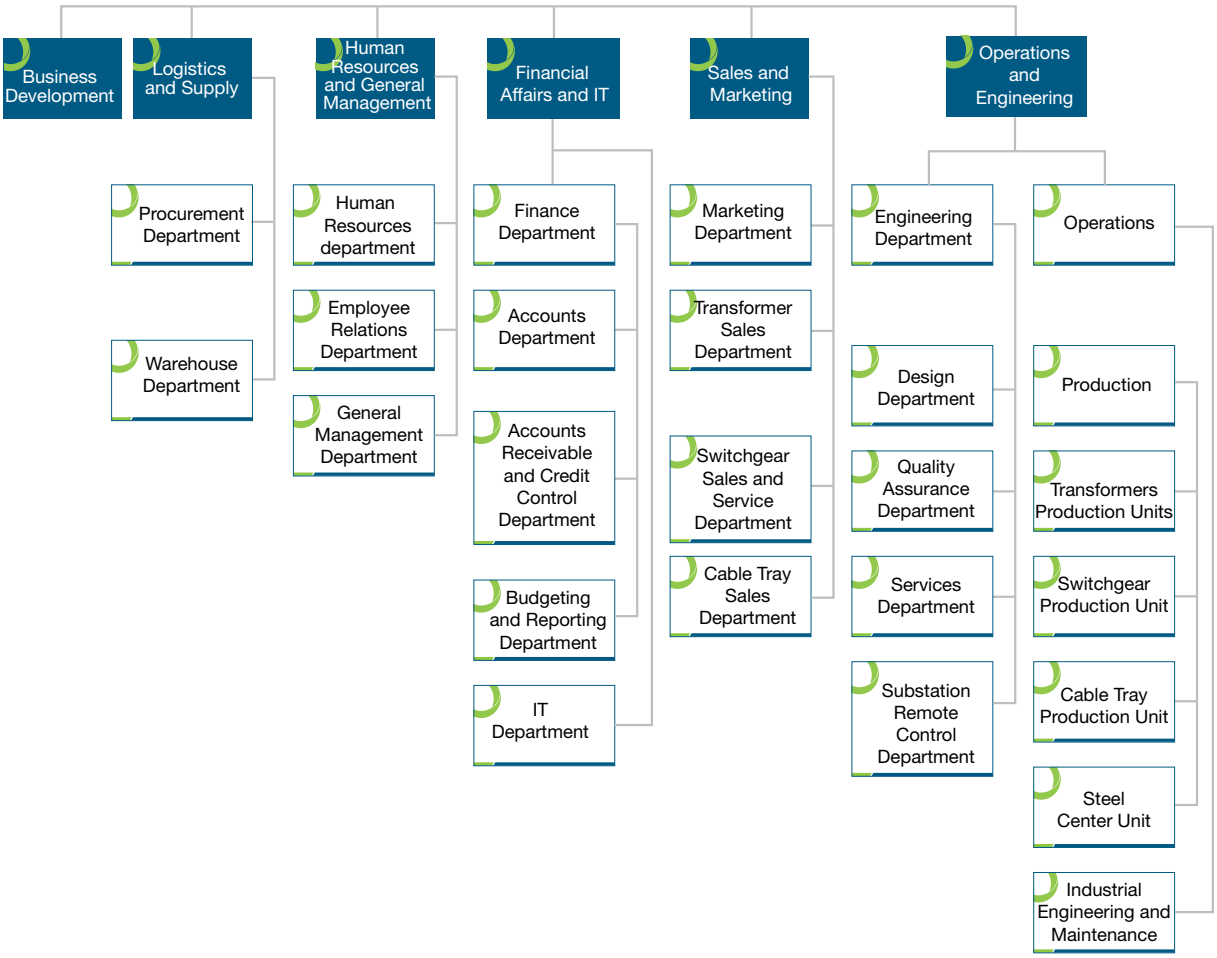
- **Expansion into new Overseas Markets:** The Company began supplying the Moroccan market with cable buses at the beginning of 2014G, during which its total export value amount to (SAR 6,000,000) six million Saudi Riyals. The Company intends to expand in this market and other foreign markets in the MENA region, through supplying them with other of the Company's products and services.

- **Build a New Substation Factory:** The Company obtained permits to build a new electrical substation factory in the Second Industrial City in Dammam. The factory is estimated to cost (SAR 17,000,000) seventeen million Saudi Riyals, will have production capacity of 3,000 stations, and will be built on land leased from MODON encompassing an area the size of 8,750 m^2 and a building area the size of 4,750 m^2. Subsequently, the existing factory (Stations Factory (2)) located in Khalidiya area in the city of Dammam shall be decommissioned and used as a warehouse, thus reducing the number of leased warehouses. Building of the factory is expected to be completed in July of 2015G, with commercial operations starting in August 2015G.

4.8.5 Operational and Support Functions

Support and management of all of the Company's activities are provided through the departments of Operations and Engineering, Sales and Marketing, Financial Affairs and IT Services, Human Resources and General Management, Logistics, and Development.

Figure 5: The Company's Activities, main Departments, sub-Departments, and Divisions



Source: IEC

1) Operations and Engineering

The Operations Department manages the overall production process, for all of EIC's products. The Operations Department also manages the Steel Centre and the Industrial Engineering and Maintenance Department. The Engineering Department focuses on design, and quality control for all of EIC's products.

A) Operations Department

- Production

The Production Department: manages the release of production as per client specifications; ensures that production is completed within the stipulated time periods; and, is responsible for the appropriate production capacity of the factory. The Production Department has separate units focusing on production of the different types of transformer produced by STC and WESCOSA and the production of low and medium voltage switchgear and cable trays. The Department oversees the Steel Center Unit, which produces and paints all metal components used in the production of low and medium voltage transformers and switchgear.

The Production Department also interacts with the Design, Sales, Logistics and Procurement departments to ensure job orders are completed on time based on materials availability, production drawings and customer approval.

- Department of Industrial Engineering and Maintenance

The Industrial Engineering and Maintenance Department manages the assets of the Company including buildings, machines and vehicles to ascertain that they are ready to meet production needs.

B) Engineering Department

- Design Department

The Design Department is responsible for the design of all types of transformer, as well as the design of switchgears. This department also prepares and reviews all matters relating to the design of products, such as raw materials used in the manufacturing process and the design of products according to client requirements and the international standards in force. The Design Department is keen on maintaining the quality of products through the study of raw materials' specifications to make sure that they conform to international standards. It also undertakes continuous product research and development to achieve product quality and efficiency.

- Quality Assurance Department

The Quality Assurance Department is composed of three units; one responsible for quality assurance at STC, one at WESCOSA transformers production, and one at switchgear production. All quality control, quality assurance, ISO quality management systems, environment management systems and other aspects that relate to the quality of products are managed and controlled by this department.

- Services Department

The Services Department performs maintenance and repair services, testing and product development, and related activities. It also provides services for the testing and calibration of electrical test equipment on site and in industrial projects.

- Substation Remote Control Department

The department designs the systems and programming necessary to remote control and operate stations, as well as perform the required testing thereon.

2) Sales and Marketing

Sales and Marketing activities are comprised of four main departments: the Marketing Department, the Transformer Sales Department, the Switchgear Sales Department and the Cable Tray Sales Department. The Sales and Marketing department's activities include keeping abreast of the needs in different markets for the years to come, and work to satisfy those needs in advance. It also works on pre-qualifying the Company's products with major clients in the Kingdom, abroad, or in other targeted future markets.

Among the Sales and Marketing Department's most important responsibilities are planning for the sales budget and work towards realizing expected budget profitability, as well as participating in tenders for major clients such as Saudi Electricity Company. The Sales and Marketing Department also undertakes to prepare and follow up on all the offers submitted by the Company to all its clients, both inside and outside the Kingdom.

3) Financial Affairs and IT Services

The Finance and IT Department's activities include those related to the Finance Department and its sub-departments, as well as the activities of the IT Department.

- The Finance Department

The Finance Department's main responsibilities include: implementation and administration of accounting and financial procedures; maintaining all of the Company's books, records and accounts; monitoring and issuing financial reports of all kinds; and, analyzing and monitoring the performance of the various enterprises' businesses. This department is responsible for financial planning to ensure the availability of funding necessary to meet short, medium and long term needs. It is also responsible for

the application of control measures to ensure that activities will achieve their set goals; and prepare economic feasibility studies for any new investments.

The Finance Department is composed of the following three key sub-departments:

- Accounts;
- Accounts Receivable and Credit Control;
- Budgeting and Reporting.

- Information and Technology Department

The Information and Technology Department handles the IT needs of all of the Company's departments, including software and hardware.

EIC has implemented the JD Edwards application suite, a fully integrated Enterprise Resource Planning software (ERP). This software application facilitates information flow between all internal units. It is a vital business management tool because it manages all of the Company's assets, from raw materials to production stages and costs. The program also allows Company units the use of comprehensive applications and the integration of all operations related activities in order to publish financial reports.

All of the Company's factories and buildings are linked to the main data center with backup lines. This state of the art network ensures better productivity for the Company's employees and helps avoid any technical malfunctions in the system.

The Company also established an information technology Disaster Recovery (DR) site. This ensures business continuity in case of disaster at the main data center of EIC, as well as protects the Company from loss of important operational and financial information.

4) Human Resources and General Management

HR and General Management are comprised of the following sub-departments:

- Human Resources Department

The Human Resources Department ensures that the Company's recruitment, training and other personnel related needs are met. It also develops policies and regulations relating to the organization and management of the staff, as well as provides employees with a healthy work environment; in addition to reviewing and defining the job hierarchy structure, and the application of policies and directives adopted by senior management.

- Employee Relations Department

The Employee Relations Department in responsible for the implementation of policies and regulations relating to human resources, the tallying of salaries, staff vacations and end of service. It also performs all staff services pertaining to residency renewal, medical insurance and social security; in addition to hiring contractors who supply the Company with the labor force needed to perform certain support services.

- General Management Department

The General Management Department is responsible for transportation, housing, communication and all related functions. It is also responsible for implementing safety procedures at the Company, maintaining a security network where needed, organizing events, welcoming guests, and renewing official Company documents.

5) Supply Chain Management Department

The Supply Chain Management Department is responsible for local and foreign procurement and control, and consists of two sub-departments, namely the Procurement Department and the Warehouse Department:

- Procurement Department

This department secures the Company's needs of raw materials from internal and external sources and concludes work agreements and contracts for procurement, services and projects; as well as provides the spare parts required for the continuity of work on the production lines. It also handles the Company's logistics operations such as customs clearance, loading and unloading of materials, in coordination with the competent authorities.

- Warehouse Department

This department is responsible for the receipt, storage and exchange of raw materials for all of the Company's production lines It also is responsible for updating data related to these materials, and preparing inventory reports.

6) Business Development Department

The Business Development Department was established at the beginning of 2011G, in order to meet the objectives of the Company, to develop, grow and build a distinct identity for its products. This department also executes plans to broaden the product base and expand EIC's technical expertise. The department's implementation strategy is based on developing products in order to increase sales. This is achieved through agreements with its clients, that include service agreements, sales agreements, distribution agreements, and technical agreements.

The department seeks to bolster the technological and technical advantages of the Company's products through cooperation with technical support companies that help the Company meet the needs of its clients.

The Business Development Department also seeks to develop relationships and alliances with other companies, and identify new business opportunities in the field of electricity and energy, as a result of its desire to diversify the Company's current product range through strategic alliances, joint ventures, direct acquisitions and investments in property rights.

4.8.6 Production Process and Product Manufacturing

The process of supplying products to clients involves several phases, beginning with the adoption and pre-qualification (inspection and testing) of the Company's products by the end user or key clients, such as Saudi Electricity Company, Saudi Aramco, SABIC, MAADEN and other companies or clients in the GCC and the Middle East. In this context, the approval process may include product pilot orders or the pre-qualification of products through the inspection and testing of products. Furthermore, obtaining international quality certificates such as ISO, environmental management systems, American National Standards Institute, the International Electrotechnical Commission and others, may be one of the requirements for the adoption of the Company as a major supplier with these authorities and organizations.

Upon receiving the approval of the client or end-user on the products or services offered by the Company, the Company is invited to participate in the tenders, either directly or through EPC contractors. When the tender is directly submitted, the client immediately begins accepting tenders from all approved suppliers; at which point, the Company submits an offer that satisfies requirements and specifications before the closing date of the tender. In the case of tenders submitted through EPC contractors, the three units within the Sales Department (the Transformer, Switchgear and Cable Tray Sales Departments) coordinate with the contractor so as to guarantee requirements and oversee the different tender phases, such as those relating to technical and commercial negotiations that precede the project requirements phase. Upon completion of the project requirements, the Sales Department submits the project offer to the EPC contractors.

When the purchase order is awarded to the company, it is entered into the Company's ERP system as sales order including product code, unit price, delivery schedules, terms of payment and other information. Furthermore a Bill of Quantities (BoQ) is prepared by the Design Department on the basis of product specifications. Accordingly, the production schedule is designed and updated using the Company's ERP system.

The process of designing the detailed materials on the BoQ commences at the Design Department, taking into account inventory levels. Afterwards, purchase orders are issued; a process that, for the majority of products, is not manual, but is implemented through the ERP system.

The purchase order is then converted into a request for a quotation; and when the supplier is chosen, the request is converted into a purchase order through the ERP system. Tracking of the material is accomplished through the shipping tracking system, which is part of the ERP system.

Once the materials arrive at the warehouse, a transit delivery receipt is issued, which is considered to be a final delivery receipt. After the quality check and cost calculation are concluded, inventory levels are updated, and an accounts payable order is issued by the ERP system. According to the production schedule, work order materials are issued according to the BoQ prepared by the Design Department.

Cost of production is calculated based on the completion of the various stages of production. The work order is updated to reflect the total cost, including the cost of labor and manufacturing overheads. It is worth mentioning that the hourly rate is updated on a monthly basis in the ERP system. The process is completely automated through the ERP system, including accounting entries resulting from the completion of each phase of production.

Once the product is completed and tested, it is added to the finished products list, and its cost added to the total cumulative project cost. Shipping of the product begins as per the delivery schedule. At this stage, the Accounts Receivable and Credit Department checks the status and balance available on the client's credit limits, which is part of the ERP system. Accordingly, income is recognized and account receivable invoices are issued. Then, the Accounts Department pursues the collection process, in coordination with the Sales Department.

All accounting entries of the work-in-progress, finished goods, revenue, and cost of sales are automated through the ERP system according to predetermined criteria set by the business units.

4.8.7 Research and Development

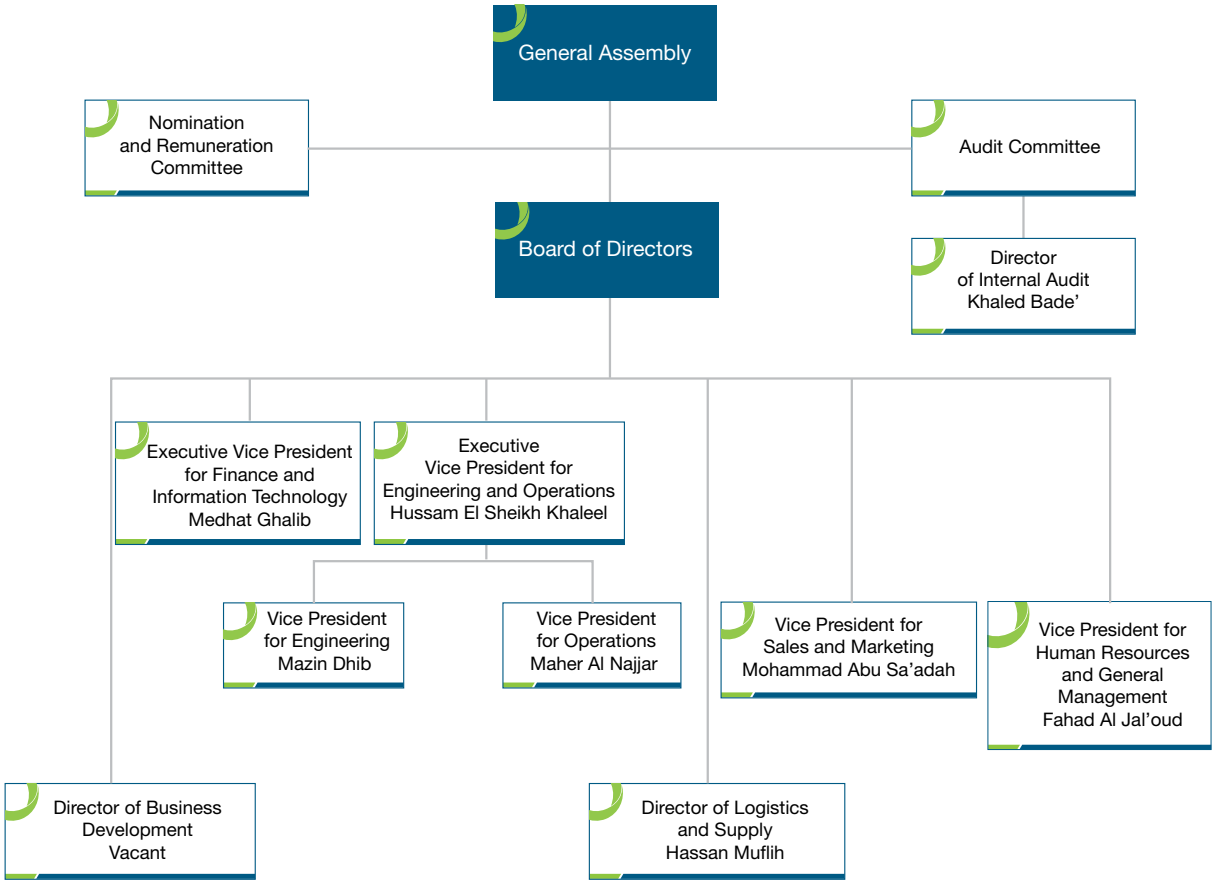
EIC and its Subsidiaries have a number of technical agreements with global companies to develop the design and technology used for the manufacture of electrical products such as transformers, unit stations, switchgears, compact substations, etc. In their research and development policies, the Company and its Subsidiaries rely on research and development performed by these world leading companies. As a result of these agreements, the Company and its Subsidiaries are provided with global up-to-date technologies and best-in-class expertise in design, technical support and training for its employees.

4.9 Assets Outside the Kingdom

Two Company branches were established abroad, specifically in the United Arab Emirates. These are the Company's branch in Dubai and the Company's branch in Abu Dhabi. The Company has leased offices in Dubai and Abu Dhabi for these branches to operate from. The lease of the Company's branch office in Abu Dhabi equals (AED 45,000) forty five thousand United Arab Emirates Dirhams while that of the Dubai office is (AED 50,000) fifty thousand United Arab Emirates Dirhams. The company stresses that, except as stated in this paragraph, neither it nor its Subsidiaries and Associates own any other assets outside the Kingdom (for more details, please refer to .("Section 13.2.4 entitled "Properties

5. Corporate Structure and Governance

Figure 6: EIC Directors and Senior Management Structure



Source: EIC

The company's Board of Directors consists of eight (8) members who were re-appointed by the Ordinary General Assembly for a second three year term on 23/10/1433H (corresponding to 10/09/2012G).

Exhibit 5-1: EIC Board of Directors

No.	Name	Age	Nationality	Title	Representing**	Executive / Non-executive	Independent / Non-Independent	Direct Ownership***		Indirect Ownership***		Membership Date
								pre-offering	post-offering	pre-offering	post-offering	
1	Ahmad Bin Nasser Bin Yacoub Al Swaidan	67	Saudi	Chairman	-	Non-executive	Non-Independent	6.3%	4.4%	-	-	01/01/2013G
2	Mahmoud Bin Mohammed Bin Mahmoud Al Toukhi	46	Saudi	Vice-Chairman	Al Toukhi Trading Group	Non-executive	Non-Independent	-	-	4.6%	3.22%	06/10/2013G
3	Faisal Bin Saleh Bin Zaid Al Quraishi	43	Saudi	Director	Ali Zaid Al Quraishi and Brothers Company Ltd.	Non-executive	Non-Independent	-	-	1.5%	1.1%	13/10/2012G
4	Fahad Bin Saad Bin Abdullah Al Tuwaijri *	40	Saudi	Director	Saad Bin Abdullah Al Tuwairji	Non-executive	Non-Independent	-	-	-	-	13/10/2012G
5	Yousef Bin Ali Bin Zaid Al Quraishi	43	Saudi	Director	Ali Zaid Al Quraishi and Brothers Company Ltd.	Non-executive	Non-Independent	-	-	1.5%	1.1%	13/10/2012G
6	Adnan Bin Ibrahim Al Hamoud Al Mohaisen *	61	Saudi	Director	-	Non-executive	Independent	-	-	-	-	13/10/2012G
7	Talal Bin Ahmad Bin Abdulllah Al Zamil *	45	Saudi	Director	-	Non-executive	Independent	-	-	-	-	13/10/2012G
8	Saleh Ben Ali Bin Hamoud Al Athel*	70	Saudi	Director	-	Non-executive	Independent	-	-	-	-	13/10/2012G

Source: EIC

*Note: By virtue of the Company's statutes and Companies regulation provisions, each Board Member shall own shares to the value of at least (SAR 10,000) ten thousand Saudi Riyals ("shares guaranteeing membership") deposited at a local bank. The shares guaranteeing membership shall be transferred post-offering.

**Al Toukhi Trading Group owns (21.1%) in the Company pre-offering. Mahmoud Bin Mohammed Bin Mahmoud Al Toukhi owns (21.8%) in Al Toukhi Trading Group. Ali Zaid Al Quraishi and Brothers Company owns (38%) in the Company pre-offering. Faisal Bin Saleh Bin Zaid Al Quraishi owns (4%) in Ali Zaid Al Quraishi and Brothers Company. Ali Zaid Al Quraishi and Brothers Company owns (38%) in the Company pre-offering. And Yousef Bin Ali Bin Zaid Al Quraishi owns (4%) in Ali Zaid Al Quraishi and Brothers Company

***The mentioned Shareholding percentages are indicative.

The Members of Board of Directors of STC and WESCOSA are the same members of EIC's Board above.

The Members of SPTC's Board of Directors are as follows:

Exhibit 5-2: SPTC Board of Directors

Name	Title	Age	Nationality
Faisal Bin Saleh Bin Zaid Al Quraishi	Chairman	43	Saudi
Tariq Bin Mohamad Al Tahini	Director	48	Saudi
Medhat Adham Mostafa Ghalib	Director	53	Egyptian
Hossam Abdul Haleem El Sheikh Khaleel	Director	42	Palestinian
VR Venkatesh	Director	43	Indian
Henri Mottard	Director	44	Belgium
Thomas Lazarz	Director	41	Sweden

Source: EIC

Exhibit 5-3: CGPSSA Board of Directors

Name	Title	Age	Nationality
Mark Wetton	Chairman	51	British
Faisal Bin Saleh Bin Zaid Al Quraishi	Director	43	Saudi
Yousef Bin Ali Bin Zaid Al Quraishi	Director	48	Saudi
Medhat Adham Mostafa Ghalib	Director	53	Egyptian
Stuart Holland	Director	51	British
VR Venkatesh	Director	43	Indian
Henri Mottard	Director	44	Belgium

Source: EIC

5.1 Resumes of Directors

Ahmad bin Nasser bin Yacoub Al Swaidan

Age:	67
Nationality:	Saudi
Position:	Chairman of the Board
Date of Appointment:	1/1/2013G
Education:	Bachelor's Degree in Electrical Engineering, University of Colorado, Boulder USA (1973G).
Current Positions:	• Chairman of the Board of Directors of EIC since 2013G. • Chairman of the Board of Directors of STC since 2012G. • Chairman of the Board of Directors of WESCOSA since 2012G. • Board Member in Saudi Arabian National Industrial Cluster Development Program since 2008G. • Board Member in Dhahran Emaar Company (a closed joint stock company operating in the real estate and construction sector) since 2008G. • Board Member in the Gulf Company for Chemicals and Industrial Oils (a joint stock company operating in the industrial oils and chemicals sector) since 2007G. • Member of the Strategic Sector Committee in the Eastern Province Chamber since 2005G. • Board Member in the Arabian Seals Co. Ltd (mixed limited liability company operating in the industrial sector) since 1990G.
Previous positions and experiences:	• Vice Chairman of the Board of Directors of the Arab Belgium Luxemburg Chamber of Commerce from 2008G until 2012G. • A Member of the Executive Council of the Saudi Exports Council from 2007G until 2013G. • Vice Chairman of the Board of Directors and Managing Director of EIC from 2008G until 2012G. • Vice Chairman and Managing Director of the Board of Director of STC from 1981G until 2012G. • Vice Chairman and Managing Director of the Board of Director of WESCOSA from 2006G until 2012G. • Member of the Board of Directors of Mohammad Al-Mojil Group from 2007G until 2011G, a Joint Stock Company that Operations in the Construction Sectors. • Member of the Advisory Board of the Supreme Economic Council from 1999G until 2010G. • Member of the Advisory Committee of the Industrial Management College - King Fahd University of Petroleum and Minerals from 2001G until 2006G. • Board Member in the Eastern Province Chamber from 1994G until 2001G. • Chairman of the Industrial Committee in Eastern Province Chamber from 1994G until 2001G. • Board Member in the National Company for Cooperative Insurance Company from 1993G until 1999G, a public joint stock company operating in the insurance sector. • Board Member in the Arabian Industrial Development Company (NAMA) (a public joint stock company operating in petrochemical sector) from 1993G until 1999G. • Board Member in the Saudi Standards, Metrology and Quality Organization (SASO) from 1995G until 1998G. • General Manager of Saudi Hobart Welding Wire Company (Saudi American industrial company) - Dammam - first industrial city from 1978G until 1981G. • Founder and director of the Electrical Contracting Company from 1976G until 1978G. • Telecom Engineer at Saudi Aramco Dhahran from 1974G until 1976G.

Mahmoud bin Mohammed bin Mahmoud Al Toukhi

Nationality:	Saudi
Age:	46
Position:	Vice Chairman
Date of Appointment:	6/10/2013G
Education:	• Bachelor's Degree in Electrical Engineering, Northrop University - California, USA (1990G). • Master's Degree in Business Administration, San Diego State University- California, USA (1992G).
Current Positions:	• Board Member in EIC since 2013G. • Vice Chairman of the Board of Director of STC since 2000G. • Vice Chairman of the Board of Director of WESCOSA since 2006G. • Board Member in Amana Cooperative Insurance Co. (a public joint stock company operating in the cooperative insurance sector) since 2013G. • Board Member in Dasar Company (a limited liability company operating in the maintenance and contracting sector) since 2011G. • Executive Manager and Board Member in Al Toukhi Ozdil Co. for Power Transmission (a limited liability company operating in the industrial sector) since 2010G. • Board Member in Al Toukhi Investments Company - Dubai (a limited liability company operating in the investment sector) since 2007G • Board Member in WESCOSA since 2006G. • Board Member in STC since 2000G. • Chairman of the Board of Director of Saudi Switches & Sockets Factory Company (a limited liability company operating in the industrial sector) since 1996G. • Chairman of the Board of Director of Indico (a limited liability company operating in the industrial sector) since 1995G. • Board Member in Mona Cool – Beirut (a limited liability company operating in water purification and bottling) since 1994G. • Chairman of the Board of Directors of Al Toukhi Group (a limited liability company operating in the commercial sector) since 1994G. • Chairman of the Board of Managers of Al-Toukhi Company for Industry, Trading, and Contracting (a limited liability company operating in real estate and contracting sectors) since 1993G.
Previous positions and experiences:	• Chairman of the Board of Directors of SPTC from 2010 until 2013G. • Board Member in EIC from 2008G until 2013G. • Assistant Project Manager of KV 132 transfer station in Riyadh, for Al Toukhi Company for Industry, Trading and Contracting (a limited liability company operating in the industrial, trading and contracting sectors) from 1992G until 1993G.

Faisal bin Saleh bin Zaid Al Quraishi

Nationality:	Saudi
Age:	41
Position:	Board Member
Date of Appointment:	13/10/2012G
Education	• Bachelor's Degree in Marketing, King Fahd University of Petroleum and Minerals KSA (1995G). • Master's Degree in Business Administration, Pepperdine University, USA (1999G).
Current Positions:	• Board Member in EIC since 2012G. • Board Member in STC since 2013G. • Board Member in WESCOSA since 2013G. • Chairman of the Board of Managers of Ali Zaid Al Quraishi & Brothers Co. (a limited liability company operating in the commercial and investment sector) since 2014G. • Board Member in Tawkelat Co. (a limited liability company operating in commercial sector) since 2014G. • Chairman of the Board of Directors of SPTC since 2013G. • Board Member in United Motors Company (a limited liability company operating in the commercial sector) since 2011G. • Board Member in CGPSSA since 2010G. • Board Member in the Eastern Province Chamber since 2010G. • Board Member in TECO Middle East (a limited liability company operating in the industrial sector) since 2008G.
Previous positions and experiences:	• Vice Chairman of the Board of Managers of Ali Zaid Al Quraishi & Brothers Co. (a company operating in the commercial and investment sector) from 2006G until 2013G. • Board Member in Saudi- Italian Bus. Council from 2005G until 2007G. • Managing Director of Ali Zaid Al Quraishi & Brothers Co Ltd (a limited liability company operating in the commercial and investment sectors) from 2006G until 2011G. • CEO of WESCOSA from 2002G until 2006G. • Marketing Manager of WESCOSA from 1999G until 2001G.

Fahad bin Saad bin Abdullah Al Tuwaijri

Nationality:	Saudi
Age:	40
Position:	Board Member
Date of Appointment:	13/10/2012G
Education:	• Bachelor's Degree in Military Science, King Khalid Military College, Riyadh, KSA (1996G).
Current Positions:	• Board Member in EIC since 2012G. • General Manager of the National Concrete Products Establishment (a limited liability company operating in the manufacturing of concrete products) since 2011G. • Board Member in WESCOSA since 2007G. • Board Member in STC since 2007G. • The Deputy Director General for the Office of Saad Al Tuwaijri (a sole proprietorship operating in the contracting services sector) since 2005G.
Previous positions and experiences:	• CEO of the National Institution of Concrete Products (a limited liability company operating in the manufacturing of concrete products) from 2007G until 2011G. • The Director of Special Projects for the Office of Saad Al Tuwaijri (a sole proprietorship operating in the contracting services sector) from 2003G until 2005G. • An officer in the National Guard from 1996G until 2002G.

Yousef bin Ali bin Zaid Al Quraishi

Nationality:	Saudi
Age:	43
Position:	Board Member and Chairman of the Audit Committee.
Date of Appointment:	13/10/2012G
Education:	High School Education
Current Positions:	• Board Member in EIC since 2012G. • Board Member in STC since 2013G. • Board Member in WESCOSA since 2013G. • Managing Director of Ali Zaid Al Quraishi & Bro. Company Ltd. (a limited liability company operating in the commercial and investment fields) since 2011G. • Board Member in Kalaam Telecom Bahrain (a limited liability company operating in communications sector) since 2008G. • Board Member in the Saudi Nets Manufacturing Co. (a limited liability company operating in the industrial sector) since 2007G. • Board Member in Royal & Sun Alliance (Middle east-Bahrain) E.C. ltd. (a closed joint stock operating in the insurance sector) since 2002G. • Chairman of the Board of Sfar Holding Co. (Cayman Islands) (a limited liability company operating as an investment holding company) since 2001G.
Previous positions and experiences:	• Board Member in CGPSSA from 2013G until 2014G. • Board Member in SPTC from 2010G until 2014G. • Vice Chairman of the Board of Managers of Ali Zaid Al Quraishi & Bro. Company Ltd. (a company operating in the commercial and investment fields) from 2007G until 2010G. • Board Member in United Motors Company (a limited liability company operating in the commercial sector) from 2006G until 2009G. • Managing Director at Al Quraishi Marketing Company (a limited liability company operating in the consumer goods sector) from 2002G until 2006G. • Managing Director at Ali Al Quraishi Trading Company (a limited liability company operating in the consumer goods sector) from 1996G until 2000G.

Adnan bin Ibrahim bin Al Hamoud Al Muhaisen

Nationality:	Saudi
Age:	61
Position:	Board Member
Date of Appointment:	13/10/2012G
Education:	• Bachelor of Electrical Engineering, King Saud University KSA (1976G). • Master of Electrical Engineering, University of Missouri in Columbia, USA (1981G).
Current Positions:	• Board Member in EIC since 2012G. • Board Member in STC since 2013G. • Board Member in WESCOSA since 2013G. • Chief Executive of the Gulf Cooperation Council Interconnection Authority (a joint stock company operating in power services) since 2004G.
Previous positions and experiences:	• Deputy Director General for Community Services at the Royal Commission for Jubail and Yanbu from 1996G until 2004G. • Deputy Director General for Planning and projects at the Royal Commission for Jubail and Yanbu from 1991G until 1996G. • Director of Engineering and Cost Management at the Royal Commission for Jubail and Yanbu from 1981G until 1991G.

Talal bin Ahmad bin Abdullah Al Zamil

Nationality:	Saudi
Age:	45
Position:	Board Member
Date of Appointment:	13/10/2012G
Education:	• Bachelor of Science in Mechanical Engineering, King Fahd University of Petroleum & Minerals KSA (1992G). • Executive MBA, King Fahd University of Petroleum & Minerals in Dhahran KSA (2005G).
Current Positions:	• Board Member in EIC since 2012G. • Board Member in STC since 2013G. • Board Member in WESCOSA since 2013G. • Board Member in the Saudi Fransi Capital (a limited liability company operating in the financial brokerage field) since 2011G. • Member of the Audit Committee at Saudi British Bank (a public joint stock company operating in the financial sector) since 2011G. • Executive Manager at MEBCO (a limited liability company operating in the industrial field) since 2005G. • Member of the Chamber of Commerce and Industry in the Eastern Province since 2010G. • Member of the Municipality Council in the Eastern Province since 2011G.
Previous positions and experiences:	• Member of the Arbitration Committee for the national competition of small project plans preparation (2008G-2010G), under the supervision of King Fahd University of Petroleum and Minerals (KFUPM) and Prince Sultan Centre for Science and Technology (Scitech). • Credit Team Leader at Saudi Industrial Development Fund from 2003G until 2005G. • Senior Credit Consultant at Saudi Industrial Development Fund from 2002G until 2003G. • Credit Consultant at Saudi Industrial Development Fund from 1997G until 2002G. • Credit Analyst at Saudi Industrial Development Fund from 1992G until 1996G.

Saleh bin Ali bin Hamoud Al Athel

Nationality:	Saudi
Age:	70
Position:	Board Member
Date of Appointment:	13/10/2012G
Education:	• Bachelor's Degree in Philosophy and Social Sciences, University of Damascus, Syrian Arab Republic (1975G). • High Diploma in Business, University of Hartford USA (1978G).
Current Positions:	• Board Member in EIC since 2012G. • Board Member in STC since 2013G. • Board Member in WESCOSA since 2013G. • Board Member in the Saudi Investment Bank (a public joint stock company operating in the financial sector) since 2013G. • Board Member in Saudi Specialized Laboratories Co. (Motabaqah) (a closed joint stock company specialized in testing all equipment, tools, devices, vehicles and other imports to the Kingdom in line with the international standards) since 2013G. • Board Member in the Saudi Telecom Company (a public joint stock company operating in the communications sector) since 2012G.
Previous positions and experiences:	• Occupied different positions at the Saudi Industrial Development Fund (SIDF) where he worked in middle and senior management since 1976 and ended up as Assistant General Manager from 1995G until 2011G.

5.2 Board Secretary

Abdulall Abdul Moniem Ali

Nationality:	Egyptian
Age:	44
Position:	Board Secretary
Date of Appointment:	1/5/2013G
Education:	• Bachelor of Arts, Zagazig University, Arab Republic of Egypt (1991G).
Previous positions and experiences:	• Executive Secretary at EIC from 2007G until 2013G. • Executive Secretary at STC from 2002G until 2007G. • Translator and Executive Secretary at King Abdulaziz Airbase Hospital Dhahran from 1994G until 2002G.

5.3 Senior Management

5.3.1 Senior management of EIC and EIC Subsidiaries

EIC's Management is comprised of qualified and experienced members with necessary knowledge and expertise to run the Company's business. The Company has been successful in retaining its senior management team, developing qualified employees and promoting them to senior positions in the Company. The table below shows a brief description of EIC's Management:

Exhibit 5-4: EIC Senior Management

No.	Name	Title	Date of Appointment	Nationality	Age	Ownership Pre-Offering
1	Tariq Mohamed Al Tahini	CEO and Board member in CGPS-SA and SPTC.	1/4/2014G	Saudi	48	-
2	Medhat Adham Mostafa Ghalib	Executive Vice President for Finance and Information Technology at EIC and a Board member in CGPS-SA and SPTC	1/4/2013G	Egyptian	53	-
2	Hussam Abdul Haleem El Sheikh Khaleel	Executive Vice President for Operations and Engineering and a Board member in SPTC.	1/4/2013G	Palestinian	42	-
4	Mohammed Yousuf Abu Sa›adah	Vice President for Sales and Marketing	26/2/2011G	Palestinian	39	-
5	Mazin Shawqi Dhib	Vice President for Engineering	1/4/2013G	Jordanian	48	-
6	Fahad Salamah Al Jal'oud	Vice President for Human Resources and Management Affairs	26/5/2012G	Saudi	47	-
7	Maher Al Najjar	Vice President for Operations	1/4/2013G	Palestinian	42	-
8	Hassan Mahmoud Muflih	Director of Logistics and Supply	15/7/2010G	Palestinian	43	-
9	Khaled Abdulhafeez Bade›	Director of Internal Audit	20/6/2007G	Sudanese	58	-

Source: EIC

5.3.2 Resumes of the Senior Management

Tariq Mohamed Al Tahini

Nationality:	Saudi
Age:	48
Position:	CEO
Date of Appointment:	1/4/2014G
Education:	• Bachelor's Degree in Mechanical Engineering, King Fahd University of Petroleum and Minerals, Dhahran, KSA (1989G).
Current Positions:	• Board Member in SPTC since 2014G. • Board Member in CGPSSA since 2014G.
Previous positions and experiences:	• Manager of Engineering and Projects at SEC (a public joint stock company operating in the utilities sector) from 2010G until 2014G. • Acting Deputy CEO at SEC (a public joint stock company operating in the utilities sector) from 2012G until 2013G. • Director of Projects at SEC in Central and Eastern Region (a public joint stock company operating in the utilities sector) from 2008G until 2010G. • Manager in Gazlan Power Plant, which is operated by SEC (a public joint stock company operating in the utilities sector) from 2001G until 2008G. • Manager of Operations in Gazlan Power Plant, which is operated by SEC (a public joint stock company operating in the utilities sector) from 1999G until 2001G. • Manager of Maintenance in Gazlan Power Plant, which is operated by SEC (a public joint stock company operating in the utilities sector) from 1994G until 1999G. • Supervisor of Mechanical Maintenance at SEC (a public joint stock company operating in the utilities sector) from 1992G until 1994G. • Senior Engineer at SEC (a public joint stock company operating in the utilities sector) from 1991G until 1992G. • Engineer in Technical Engineering Dep. at SEC (a public joint stock company operating in the utilities sector) from 1989G until 1991G.

Medhat Adham Mostafa Ghalib

Nationality:	Egyptian
Age:	53
Position:	Executive Vice President for Finance and Information Technology
Date of Appointment:	1/4/2013G
Education:	• Bachelor's Degree in Accounting, Alexandria University, Arab Republic of Egypt (1983G).
Current Positions:	• Board Member in SPTC since 2013G. • Board Member in CGPSSA since 2010G.
Previous positions and experiences:	• Senior Vice President for Finance and Shared Services in EIC from 2007G until 2013G. • Director of Finance and Administration at STC from 2005G until 2007G. • Chief of Finance at STC from 1997G until 2005G. • Head of Accounting at STC from 1990G until 1997G. • Accountant at STC from 1985G until 1990G. • Programmer at Al Nasr Clothing and Textiles Co. (KABO) (an Egyptian joint stock company operating in the textile industry) from 1984G until 1985G. • Accountant at Alexandria Construction (a private joint stock company operating in the construction and contracting sector) from 1983G until 1984G.

Hussam Abdul Haleem El Sheikh Khaleel

Nationality:	Palestinian
Age:	42
Position:	Executive Vice President for Engineering and Operations.
Date of Appointment:	1/4/2013G
Education:	• Master›s Degree of Engineering, in Construction Engineering and Management, King Fahd University of Petroleum and Minerals, KSA (2012G). • Bachelor's Degree in Electrical Engineering, King Fahd University of Petroleum and Minerals, KSA (1994G). • Projects Management Professional, American Projects Management Institute (17/6/2013G).
Current Positions:	• Board Member in SPTC since 2010G.
Previous positions and experiences:	• Executive Vice President for Transformers in EIC from 2007G until 2013G. • Plant Manager at STC from 2004G until 2007G. • Design Manager at STC from 2000G until 2004G. • Senior Design Engineer at STC from 1999G until 2000G. • Design Engineer at STC from 1998G until 1999G. • Production Engineer at STC from 1994G until 1998G.

Mohammad Yousef Abu Sa'adah

Nationality:	Palestinian
Age:	39
Position:	Vice President of Sales and Marketing
Date of Appointment:	26/2/2011G
Education:	• Master›s Degree of Electrical Engineering, King Fahd University of Petroleum and Minerals, KSA (2003G). • Bachelor's Degree in Electrical Engineering, Isra University, Hashemite Kingdom of Jordan (1997G).
Previous positions and experiences:	• Sales and Marketing Manager for WESCOSA from 2006G until 2010G. • Sales Supervisor for the Transformers Division of WESCOSA from 2005G until 2006G. • Senior Sales Engineer for WESCOSA from 2000G until 2005G. • Sales Engineer in the Transformers Department for WESCOSA from 1998G until 2002G.

Mazen Shawki Dhib

Nationality:	Jordanian
Age:	48
Position:	Vice President of Engineering
Date of Appointment:	1/4/2013G
Education:	• Bachelor's Degree in Electrical Engineering, King Fahd University of Petroleum and Minerals- Dhahran, KSA (1988G) • Projects Management Professional, American Projects Management Institute (17/6/2013G).
Previous positions and experiences:	• Vice President of Switchgear Unit at EIC from 2011G until 2013G. • Engineering Manager at WESCOSA from 2007G until 2011G. • Medium Voltage Production Manager at WESCOSA from 1996G until 2007G. • Services and Guarantees Manager at WESCOSA from 1989G until 1995G. • Field Services Engineer at Industrial Services Company Saudi Arabia (ISCOSA), (a mixed limited liability company operating in the industrial sector) from 1988G until 1989G.

Fahad Salamah Al Jal'oud

Nationality:	Saudi
Age:	47
Position:	Vice President of Human Resources and Management Affairs
Date of Appoint-ment:	26/5/2012G
Education:	• Bachelor's Degree in Management and Marketing, King Saud University - Riyadh, KSA (1992G).
Previous positions and experiences:	• Human Resource Manager at Jubail Energy Services Company (JESCO) (a joint stock company operating in the oil and gas sector) from 2009G until 2012G. • Human Resource and Administration Manager at National Shipping Company (NSCSA) (a joint stock company operating in the shipping sector) from 2005G until 2009G. • Human Resource Manager at Future Pipe (a limited liability company operating in Pipes manufacturing sector) from 2003G until 2005G. • Administrative Manager at Arabian Industrial Development Company (NAMA) (a joint stock company operating in the Petrochemicals sector) from 1995G until 2003G. • Investments Supervisor at Saudi British Bank (SABB) (a public joint stock company operating in the financial sector) from 1993G until 1995G.

Maher Abdulhai Al Najjar

Nationality:	Palestinian
Age:	43
Position:	Vice President for Operations
Date of Appointment:	1/4/2013G
Education:	Bachelor's Degree in Electrical Engineering, Isra University, Hashemite Kingdom of Jordan (1996G).
Previous positions and experiences:	• Operations Manager at EIC from 2008g until 2013G. • Production Manager and Product Planning of STC from 2004G until 2008G. • Production Supervisor at STC from 1999G until 2004G. • Charging Stations Supervisor of STC from 1997G until 1999G. • Project Engineer of IBM/SBM Dammam (a limited liability company operating in the IT sector) from 1996G until 1997G.

Hassan Mahmoud Muflih

Nationality:	Palestinian
Age:	43
Position:	Director of Logistics and Supply
Date of Appointment:	15/7/2010G
Education:	• Bachelor's Degree in Electrical Engineering, King Fahd University of Petroleum and Minerals- Dhahran, KSA (1996G).
Previous positions and experiences:	• Procurement and Contract Manager at EIC from 2008G until 2010G. • External Procurement Officer at STC from 2003G until 2008G. • Sales Engineer at STC from 2000G until 2003G. • Regional Sales Manager in Construction Projects at Al Fozan Co. (a closed joint stock company operating in the import sector and the sale of electrical equipment with low voltage) from 1997G until 2000G. • Design Engineer at Saudi United Engineering Co. (Limited liability company operating in the design and consulting services for private and governmental projects), from 1996G until 1997G.

Khaled Abdulhafeez Bade

Nationality:	Sudanese
Age:	58
Position:	Director of Internal Audit
Date of Appointment:	20/6/2007G
Education:	• Bachelor's Degree in Accounting, Cairo University- Khartoum Branch, Republic of the Sudan (1977G).
Previous positions and experiences:	• Vice President of Finance at WESCOSA from 2002G until 2007G. • Finance Manager at BHP Universal Metal Coating Co from 1997G until 1999G. The latter is a Saudi limited liability company representing a commercial partnership between the Al Rashid and Al Zamil Industrial Group and Australian metal company BHP. It operates in the metal coating sector. • Finance Manager at Al Shefa Medical Co. (limited liability company operating in the medical sector), from 1986 until 1997. • Head of Accounting at Al Baz Food Est. (a sole proprietorship operating in the food sector) from 1983G until 1986G. • Senior Inspector in the Industrial Costing Dep. at the Ministry of Industry and Commerce in Sudan (governmental Entity), from 1978G until 1983G.

5.3.3 Senior Management of SPTC and CGPSSA

The daily business of SPTC and CGPSSA is managed by a chief executive with experience in the management of the company's business. Following is a brief description and CV of the Chief Executive at SPTC and CGPSSA.

Exhibit 5-5: Senior Management of SPTC and CGPSSA

Name	Title	Date of Appointment	Nationality	Age	Ownership Pre-Offering
Mohamed Othman Al Semari	Chief Executive	11/5/2011G	Saudi	44	-

5.3.4 Resume of the CEO of SPTC and CGPSSA

Mohamed Othman Al Semari

Nationality:	Saudi
Age:	44
Position:	CEO of SPTC and CGPSSA.
Date of Appointment:	11/5/2011G
Education:	• Bachelor's Degree in Mechanical Engineering, King Fahd University of Petroleum and Minerals- Dhahran, KSA (1993G).
Previous positions and experiences:	• From 2008G until 2011G, Executive Manager at General Electric (GE). (an American Company operating in in the Saudi Arabian energy sector through its branch in the Kingdom). • Project Manager at Saudi International Petrochemical Company (Sipchem), (a joint stock company operating in the petrochemical sector) from 2006G until 2008G. • Head of Project dep. at SEC (a public joint stock company operating in the utilities sector), from 2004G until 2006G. • Manager of the Electrical implementation projects in Eastern Region (a public joint stock company operating in the utilities sector) from 2001G until 2004G. • Project manager of the Eastern electricity (a public joint stock company operating in the utilities sector), from 1995G until 2001G. • Project Manager at Saudi ARAMCO, from 1993G until 1995G.

5.4 Corporate Governance

The Company is committed to adhere to institutional work standards and is currently conducting a comprehensive review of the operational framework for all its divisions in line with the highest generally accepted standards of best practice. EIC has made a clear separation between the responsibilities of the Board of Directors and the executive management of the Company.

On 15/6/1435H (corresponding to 15/4/2014G), the Company held its Ordinary General Assembly which approved the Company's internal corporate governance manual.

The Company's internal corporate governance manual includes all the mandatory provisions contained in the Corporate Governance Regulations issued by the CMA. The mandatory regulations of the Corporate Governance Regulations are paragraphs (i) and (j) of Article 5; Article 9; paragraphs (b) (c) and (d) of Article 10; paragraphs (c) (e) and (g) of Article 12; and Article 14 and Article 15.

The Company is in compliance with paragraph (c) and (e) of Article 12 given that the majority of the Board of Directors are non-executives. Also, the number of independent Directors has met the requirements as per paragraph (e) of Article 12. The Company is also in compliance with paragraphs (b) (c) and (d) of Article 10 as it has laid down internal control systems and has a corporate governance manual which lays down policies and procedures for the membership of the board of directors.

The Company is also in compliance with Article 14 and 15 as the Board pursuant to a resolution dated 27/10/1433H (corresponding to 13/10/2013G) that set up an Audit Committee which comprises of three members, none of which are executive members of the Board including one audit specialist. The Board has also set up a Nomination and Remuneration Committee.

However, Article 5 (i) and (j) which relate to providing the CMA of the minutes of the general assembly within 10 days of such meeting taking place and immediately informing the Exchange of the minutes, Article 9, which relates to the content of the report of the Board of Directors, and Article 12 (g) of the Corporate Governance Regulations, which relates to notifying the CMA and the Exchange immediately upon completion of the term of the Board Members membership in any way of termination of membership, the Company is as of the date of this Prospectus not in compliance with these Provisions, where the Company is not currently listed, and the Company undertakes to abide by these Provisions once the CMA approves the listing of the Company at Tadawul.

5.5 Board Committees

5.5.1 Audit Committee

The Audit Committee was formed based on a Board of Directors resolution dated 27/10/1433H (corresponding to 13/10/2012G). EIC has issued, in its Ordinary General Assembly dated 23/10/1433H (corresponding to 10/9/2012G) and based on the recommendation of the Board of Directors, the rules of the appointment of the members of the Audit Committee, their remuneration, terms of office, policies, and procedures to be followed by such committee. The existing Audit Committee comprises of members, other than the Board executive members, in accordance with the Corporate Governance Regulations. The duties and responsibilities of the Audit Committee include the following:

- Supervise the Company's internal auditing department to verify its efficacy in discharging the tasks and duties assigned to it by the Board of Directors;
- Review the internal auditing system and draft a written report and its recommendations thereon;
- Review the internal auditing reports and assigning the corrective procedures for them;
- Recommend to the Board of Directors the appointment of legal accountants, taking into consideration their independence, dismissal and determining their fees;
- Follow up the works done by legal accountants and approving their fee quotes for such works
- Review and comment on the audit plan with the auditor;
- Review the comments of the auditors on the annual financial statements and follow-up on the decisions that have been taken relative to these comments;

- Review the preliminary annual financial statements prior to presenting them to the Board and provide the Board with comments or recommendations thereon; and
- Review and comment on the applicable accounting policies and provide the Board with recommendations thereon.

The existing Audit Committee includes the following directors:

Exhibit: 5-6: Audit Committee

Name	Title
Yousef bin Ali bin Zaid Al Quraishi	Chairman of Committee
Sattam bin Abdulaziz Al Zamil	Committee Member
Mohamed Baqir Badami Ahmad	Committee Member

Source: EIC

For more information on the resume of Yousef bin Ali bin Zaid Al Quraishi, please refer to Section 5.1 "Resumes of Directors" of this Prospectus.

Sattam bin Abdulaziz Al Zamil

Nationality:	Saudi
Age:	40
Position:	Member of the Audit Committee
Date of Appointment:	13/10/2012G
Education:	• Bachelor's Degree in in Accounting, King Fahd University of Petroleum and Minerals- Dhahran, KSA (1995G).
Previous positions and experiences:	• Started in 1996G, as a Financial Analyst in Zamil Group Holding Company, then held various positions in the Group and is currently Executive Vice President for Corporate Finance.

Mohamed Baqir Badami Ahmad

Nationality:	Australian
Age:	42
Position:	Member of the Audit Committee
Date of Appointment:	13/10/2012G
Education:	• Bachelor's Degree in Commerce, University of Karachi, Pakistan (1989G). • Chartered Accountant (CA) in 1994G, • Chartered Management Accountant (CMA) in 1995G
Current Position:	• Chief Financial Officer of Ali Zaid Al Quraishi & Bros., a limited liability company operating in the trading sector since 2008G.

Previous positions and experiences:	• Chief Financial Officer of Tamer Group (a limited liability company operating in the pharmaceutical industry) from 2004G until 2008G. • Internal Audit Manager at Tamer Group (a limited liability company operating in the pharmaceutical industry), from 1999G until 2000G. • Audit Supervisor at Deloitte Saudi Arabia (a limited liability company operating in the accounting sector), from 1998G until 1999G. • Senior Auditor at Deloitte Saudi Arabia (a limited liability company operating in the accounting sector), from 1995G until 1998G. • Senior Auditor at Bennett Nash, Woolf & Co, UK (a limited liability company operating in the accounting sector), from 1994G until 1995G. • Accountant at Bennett Nash, Woolf & Co, UK (a limited liability company operating in the accounting sector), from 1990G until 1994G.

5.5.2 Nomination and Remuneration Committee

The Nomination and Remuneration Committee was formed based on a Board of Directors resolution dated 27/11/1433H (corresponding to 13/10/2012G). EIC has issued, in its Ordinary General Assembly dated 23/10/1433H (corresponding to 10/9/2012G), and based on the recommendation of the Board of Directors, the rules of the appointment of the members of the Nomination and Remuneration Committee, their remuneration, terms of office and the procedure to be followed by such committee. The duties of the Nomination and Remuneration Committee include the following:

- Recommend nominees for the Board membership;
- Annually review the requirements of the appropriate skills needed for Board membership and update the description of the capabilities and qualifications required for the membership of the Board;
- Review the structure of the Board of Directors and submit recommendations on potential changes;
- Identify the vulnerabilities and strengths of the Board of Directors and propose remedies;
- Verify annually the independence of the Independent Directors; and
- Draw up clear policies for the remuneration of the Board of Directors and senior executives, using performance criteria in the determination of such remuneration.

In order to control the possibilities of conflict of interests, no Board member or the Senior Management shall have any powers to borrow from the Company, vote on their remuneration or bonuses, or on any contract or loans in which they have an interest.

Exhibit 5-7: Nomination and Remuneration Committee

Name	Title
Ahmad bin Nasser bin Yacoub Al Swaidan	Chairman of the Committee
Mahmoud bin Mohammed bin Mahmoud Al Toukhi	Committee Member
Saleh bin Ali bin Hamoud Al Athel	Committee Member
Faisal bin Saleh bin Zaid Al Quraishi	Committee Member

Source: EIC

For more information on the resume of the Members of this Committee, please see Section 5.1 “Resumes of Directors” of this Prospectus.

5.6 The Company's Undertakings following Listing Admission

Following Admission, the Company plans to:

Complete the updated Form 8 and, in the event that the Company does not comply with any of the requirements of the Corporate Governance Regulations, explain the reasons for such non-compliance;

Provide the CMA with the date on which the first General Assembly will be held following Admission so that a representative may attend;

Following Admission, present the General Assembly with related party transactions, in accordance with the Companies Law and the Corporate Governance Regulations, on an annual basis starting from the first post-Admission General Assembly meeting (for more information concerns the Related Parties Transactions, see Section 13.33 "Related Party Transactions" in this Prospectus;

Comply with the Listing Rules and Corporate Governance Regulations when preparing the report for the Board of Directors;

Immediately notify the CMA and Tadawul upon the end of a Board member's term, and state the reasons therefore;

Comply with all mandatory articles of the Corporate Governance Regulations within six months from the date of listing.

5.7 Duties and Responsibilities of the Chairman of the Board, Board Members and the CEO

The members of the EIC Board are elected by the General Assembly. The Board member's responsibilities are governed by the Company's By-Laws and the Companies' Law of Saudi Arabia. The following is a summary of the duties and responsibilities of the Chairman of the Board, the Directors and the CEO.

5.7.1 Chairman of the Board

Duties and Responsibilities

- Ensure the clarity of the Board's functions, framework of duties, and the basis for the division of responsibilities;
- The Chairman shall be responsible for calling the Board and General Assembly's meetings;
- Ensure the clarity and precision of the Board's business plan and priority of the topics brought before the Board;
- Lead and manage the Board and General Assembly meetings;
- Ensure that the Board's responsibilities are adhered to fulfill the Company's vision and strategy, and its implementation;
- The Chairman's vote shall prevail, in the event of a tie vote;
- Direct the Board in selecting the CEO who will be responsible for the administration of the Company;
- Represent the Company in media and social events;
- Support the Committees through administrative guidance and performance evaluation;
- Represent the Company before third parties as well as all governmental and private bodies, courts of law, the Board of Grievances and other juridical committees within or outside the Kingdom of Saudi Arabia; sign before the Notary Public on all the companies' Articles of Association and related amendments, as well as defend the Company and take legal actions on its behalf;
- Assess the performance of Board members.

Duration of the Chairman's Term

The Chairman of the Board's term of service is (3) years according to the Company's Bylaws. As an exception, the term in office for the first Chairman shall be (5) five years. The Chairman of the Board was appointed on 1/1/2013G for a term ending at the end of the current Board's tenure, which began on September 10, 2012G. He does not have an employment contract with the Company.

5.7.2 Members of the Board

Duties and Responsibilities

- Approve the Company's mission and vision;
- Participate in the overall direction and planning of the Company's future plans;
- Ensure effective implementation of policies and objectives of the Company;
- Participate in determining the Company's priorities and monitor the effective and efficient utilization of the Company's assets;
- Evaluate and assess executive officers.

Duration

The Board Member's term of service is (3) years according to the Company's Bylaws. As an exception, the term in office for the first Board of Directors shall be (5) five years. The Board was appointed for a second three year term by the Ordinary General Assembly on 23/10/1433H (corresponding to 10/9/2012G). Members of the Board do not have employment contracts with the Company.

5.7.3 Chief Executive Officer (CEO)

Duties and Responsibilities

- Manage the Company's financial, technical and administrative issues;
- Optimize resource utilization;
- Achieve the Company's objectives and targets;
- Coordinate and plan with the different divisions to meet budget targets;
- Recommend and implement policies and strategies to achieve the objectives of the Company;
- Monitor the Company's activities and provide administrative and technical support to the senior management;
- Support strategic planning decisions;
- Support quality control activities and foster a quality oriented culture; and
- Execute the Board of Directors' decisions.

Duration

The CEO's duration of service is determined by an annual employment contract that is automatically renewed by the Board. The current CEO was appointed on 1/4/2014G for two years that are automatically renewed.

5.7.4 Summary of Contracts of the EIC Executive Senior Management

The following is the summary of contracts for EIC Senior Management Executives.

Exhibit 5-8: Summary of Contracts for EIC Senior Management Executives.

No.	Name	Title	Date of Contract	Expiry Date
1	Tariq Mohamed Al Tahini	CEO	11/6/1435H (corresponding to 1/4/2014G)	2 years automatically renewed
2	Medhat Adham Mostafa Ghalib	Finance Manager, then became Executive Vice President for Finance and Information Technology since 1/4/2013G as per the previous contract.	14/8/1427H (corresponding to 7/9/2006G)	2 years automatically renewed
3	Hussam Abdul Haleem El Sheikh Khaleel	Plant Manager, then Executive Vice President for Operations and Engineering since 1/4/2013G as per the previous contract.	14/8/1427H (corresponding to 7 /7/2006G)	2 years automatically renewed
4	Mohammed Yousuf Abu Sa›adah	Manager of Sales and Marketing for Transformers, then Vice President for Sales and Marketing since 26/2/2011G as per the previous contract.	19/12/1427H (corresponding to 9/1/2007G)	Indefinite period.
5	Mazin Shawqi Dhib	Senior Manager of Medium Voltage Production Line, then Vice President for Engineering since 1/4/2013G as per the previous contract.	4/9/1427H (corresponding to 27/9/2006G)	2 years automatically renewed
6	Fahad Salamah Al Jal'oud	Vice President for Human Resources and General Management	5/7/1433H (corresponding to 26/5/2012G)	Indefinite period.
7	Maher Abdulhai Al Najjar	Operations Manager, then Vice President for Operations since 1/4/2013G as per the previous contract.	14/8/1427H (corresponding to 7/9/2006G)	2 years automatically renewed
8	Hassan Mahmoud Muflih	Electrical Engineer (trainee), then Director of Logistics and Supply since 15/7/2010G.	3/1/1421H (corresponding to 8/4/2000G)	2 years
9	Khaled Abdulhafeez Bade›	Vice president of Finance at WESCOSA, then became Director of Internal Audit since 20/6/2007G.	4/9/1427H (corresponding to 27/69/2006G)	Indefinite period

Source: EIC

Under the Contracts, none of the above-mentioned names shall not perform or exercise any business, whether for their own interest or that of others, paid or without pay, for the duration of their contracts, and they shall not work with any competitor or perform similar work for two years (2) after the expiry of their contract. Also, all of the Senior Management contracts are either indefinite in period or automatically renewed.

5.7.5 Declarations of Board Members, Senior Management and Board Secretary

The Board Members, Board Secretary, and executive directors declare the following:

- They have not at any time been declared bankrupt or been subject to bankruptcy proceedings;
- They have not been appointed held, over the five past years, an administrative or supervisory position in an insolvent company;
- Except as disclosed in Section 13.3 under "Related Party Transactions", they do not themselves, nor do any relatives, have any material interest in the Company or any of its subsidiaries and Associates; except for Board Members and their relatives who own shares in the Company (for more information, please refer to Exhibit 5-1 entitled "EIC Board of Directors".
- Except as disclosed in this Prospectus concerning related party contracts, there aren't any current or planned contracts or arrangements with any Board Members, executive directors or their relatives giving them a material interest in Company business, and there are no powers granting them any rights to vote on those transactions; voting will be made on all related party contracts in the first General Assembly post offering;
- There is no share schemes in place prior to the application for registration and listing admission. Nor are there any other arrangements to share the capital of the Company with employees;

5.7.6 Conflict of Interest

Directors do not possess any authority under the Company's By-Laws or its internal regulations and policies allowing them to have a direct or indirect interest in the transactions and contracts entered into on behalf of the Company. This is in accordance with Article (69) of the Companies' Law which states that no Director is allowed to have any interest, direct or indirect, in any transactions or contracts done in favor of the company unless with the approval of the General Assembly renewable annually. According to the said article, a Director must disclose to the Company any personal interest he might have in transactions and contracts concluded for the company. The Chairman of the Board shall notify the General Assembly, when convened, of all transactions and contracts in which any Directors might have an interest, provided such disclosure is accompanies by a special report from the Auditor. This notification is entered into the minutes of the Assembly meeting and the relevant Director may not participate in voting on such transactions and contracts. Based on the aforementioned, the Directors are committed to:

- Comply with Articles (69) and (70) of the Companies Law and Article (18) of the Corporate Governance Regulations;
- All related party transactions were adopted during the Ordinary General Assembly meeting of 15/6/1435H (corresponding to 15/4/2014G).
- Not vote on any contracts made with related parties during General Assembly meetings;
- Not compete against the Company's activities and that all present or future related party transactions will be concluded on a competitive base pursuant to Article (70) of the Company Law.

For the purposes of preventing any conflict of interest, no members of the Board of Directors or senior management have any powers that enable them to vote on their own remuneration or compensation, nor do they have any powers to borrow from the Company or vote on any contract or loans in which they have an interest.

Except as mentioned under Section 13.3 "Related Party Transactions" concerning the sale of electrical equipment, provide services to Al-Toukhi Co. for Industry, Trading, and Contracting, Al Quraishi Electrical Services of Saudi Arabia , and CGPSSA, as well as transactions with CGPSSA and CG Powers which provided services to the Company. The Shareholders declare that the Company shall not engage in any other commercial activities with the related parties and all transactions are made on a commercial basis.

5.7.7 Remuneration and Benefits of Directors and Senior Management (including the CEO and Executive Vice Presidents for Finance and IT)

The existing Board of Directors do not have any contracts with the Company, and their remunerations, if any, are determined by the Ordinary General Assembly in accordance with the Company's By-Laws and the provisions of the Companies Regulations as well as the complementary laws and regulations. The Company's By-Laws determined the remunerations of Directors at a percentage not exceeding (5%) of the Company's net profit, after the shareholder profit distribution.

Article 22 of the By-Laws, which relates to the remuneration of the Board, was not implemented until Q4 of 2011G. The total remuneration paid to the Board by EIC for attendance was SAR 0.9 million during 2011G, SAR 1.6 million in 2012G, and SAR 1.6 million in 2013G. Whereas the total remuneration of the CEO was SAR 1.5 million in 2013G paid in monthly basis. Total remuneration of the senior management (receiving the five highest wages), including the CEO and the CEO of Finance and IT, for the years ended in 2011G, 2012G, and 2013G amounted to SAR 3.8 million, SAR 4.2 million, SAR 4.7 million respectively.

Table 5-9 Remuneration and Benefits of Directors and Senior Management for Financial Years 2011, 2012 and 2013

	2011G (SAR million)	2012G (SAR million)	2013G (SAR million)
Chairman of the Board			
Total Annual Remunerations Paid	-	-	1.5
Other benefits paid annually	-	-	-
Total	-	-	1.5
Board of Directors			
Total Annual Remunerations Paid	0.9	1.6	1.6
Other benefits paid annually	-	-	-
Total	0.9	1.6	1.6
Senior Management (including the CEO and Executive Vice Presidents for Finance and IT)			
Total Annual Wages Paid	2.8	3.2	3.9
Other benefits paid annually	1.0	1.0	0.8
Total Payments	3.8	4.2	4.7

Source: EIC

5.8 Employees

The Company has documented and detailed recruitment policies to ensure the recruitment and retention of qualified personnel. These policies are consistent with the Company's goal of delivering the best quality services to its customers. EIC employed a total of 1,529 employees as of 31 December 2013G, working in various departments of the Company. The Company relies on selected labor provided by companies under special service contracts for the operation and maintenance of some business services and departments where production levels fluctuate due to the nature of the product sector, such as switchgears. As a result, the Company's dependence on this labor force has increased compared to previous years, due to the rise in manufacturing activities in the switchgear sector. This labor force numbers 303 workers representing (19.8%) of total direct labor. The Company was not affected by the recent reorganization campaigns the Ministry of Labor launched in recent years aimed at driving out illegal workers and encourage the sincere efforts in Saudization of jobs under the continuous support from the state to solve the unemployment problem. The Company was not affected because it managed to acquire the sponsorship of its direct technical labor force, with the exception of labor provided by companies under service, operation and maintenance contracts. The table below illustrates the workforce in EIC's various departments and subsidiaries:

Exhibit: 5-10: Numbers of Employees

	Saudis				Non-Saudis				Total				
	Senior Management	Business management and support departments	Sales and Marketing	Engineering and Operations	Senior Management	Business management and support departments	Sales and Marketing	Engineering and Operations	Senior Management	Business management and support departments	Sales and Marketing	Engineering and Operations	Total
EIC													
31 December 2011G	-	-	-	-	-	-	2	-	-	-	2	-	2
31 December 2012G	-	-	-	-	-	-	1	-	-	-	1	-	1
31 December 2013G	-	-	-	-	-	-	1	-	-	-	1	-	1
STC													
31 December 2011G	1	40	4	32	2	39	12	138	3	79	16	170	268
31 December 2012G	2	42	3	41	2	38	14	125	4	80	17	166	267
31 December 2013G	2	41	3	58	3	56	15	270	5	97	18	328	448
WESCOSA													
31 December 2011G	-	53	1	119	3	57	52	332	3	110	53	451	617
31 December 2012G	-	49	1	116	2	59	51	365	2	108	52	481	643
31 December 2013G	-	51	8	124	2	69	42	692	2	120	50	816	988

	Saudis				Non-Saudis				Total				
	Senior Management	Business management and support departments	Sales and Marketing	Engineering and Operations	Senior Management	Business management and support departments	Sales and Marketing	Engineering and Operations	Senior Management	Business management and support departments	Sales and Marketing	Engineering and Operations	Total
SPTC													
31 December 2011G	1	-	-	-	1	2	1	-	2	2	1	-	5
31 December 2012G	1	8	-	2	1	7	1	30	2	15	1	32	50
31 December 2013G	1	11	-	3	2	9	3	49	3	20	3	52	78
CGPSSA													
31 December 2011G	-	-	-	-	-	-	-	-	-	-	-	-	-
31 December 2012G	-	3	-	-	-	-	-	4	-	3	-	4	7
30 December 2013G	-	3	-	-	-	-	2	9	-	3	2	9	14
Company›s Total													
31 December 2011G	2	93	5	151	6	98	67	470	8	191	72	621	892
31 December 2012G	3	102	4	159	5	104	67	524	8	206	71	683	968
31 December 2013G	3	106	11	185	7	134	63	1,020	10	240	73	1,205	1,529

Source: EIC

There was a significant increase in the number of SPTC employees in 2012G and 2013G as the company geared up preparations for commencing operations. In 2013, the Company rectified the legal status of the sponsorship of a number of Subsidiary employees. As a result of this process the number of non-Saudis employed by STC in the management of production increased from 166 in 2012G to 328 workers by the end of 2013G. While the number of non-Saudis employed by WESCOSA in the management of production increased from 481 in 2012G to 816 workers by the end of 2013G.

5.9 Commitment to Saudization

Compliance with Saudization requirements is a Saudi government directive requiring establishments active in Saudi Arabia to employ and maintain a certain number of Saudi personnel among its staff. These requirements differ according to the activity of the institution. In accordance with Department of Labor instruction issued on 1/5/1423H (corresponding to 10/8/2002G), an institution must obtain a certificate to this effect from the Ministry of Labor. The Ministry of Labor has decided to impose stricter Saudization policies at the beginning of 2013G under the new Nitaqat program.

According to the Nitaqat program, the Saudization requirements for establishments are based on a comparison of establishments within the same industry. According to the Nitaqat program, the Company's activity falls within the manufacturing industry category. Companies are categorized into the following four categories, including the Saudization ratio associated with each:

- The Red Category: this applies to companies which do not comply with the requirements of the Nitaqat program. The Company would be categorized under this category if the percentage of Saudi nationals employed by it is above (0%) and below (7%) of its total workforce;
- The Yellow Category: The Company would be categorized under this category if the percentage of Saudi nationals employed by it is above (7%) and below (19%) of its total workforce;
- The Green Category: this applies to companies which comply with the requirements of the Nitaqat program. The Company would be categorized under this category if the percentage of Saudi nationals employed by it is above (19%) and below (34%) of its total workforce; and
- The Platinum Category: this applies to companies which comply with the requirements of the Nitaqat program and the percentage of Saudi nationals in these companies is above a certain percentage. The Company would be categorized under this category if the percentage of Saudi nationals employed by it is above (34%) of its total workforce.

The Saudization level in the Company reached (19.95%). EIC is classified under the Green category which indicates that the Company complies with the requirement of Nitaqat program. The category provides several incentives for the employer, the most significant of which may be summarized as follows: the application to approve new visas and to change the profession of laborers who work for the employer and grant the company replacement visas to replace the laborers leaving on a final exit visa from the Kingdom and the ability to renew work permits for expatriate laborers who work for the employer.

It should be noted that the Ministry of Labor imposed an annual fee on establishments that employ more foreign than Saudi employees. These fees are estimated at (SAR 2,400) two thousand four hundred Saudi Riyals for each foreign worker. While the Company is committed to abide by Saudization policies, it currently does not consider that the levied fees would have a substantial impact or effect on the Company, its Subsidiaries and Associates.

The table below illustrates the number of Saudi employees in EIC as at 31 December 2011G, 2012G, and 2013G.

Exhibit: 5-11: Saudization Rate

	Percentage of Saudis				
	Senior Management*	Business Management and Support Departments**	Sales and Marketing	Engineering and Operations	Total
EIC					
31 December 2011G	-	-	-	-	-
31 December 2012G	-	-	-	-	-
31 December 2013G	-	-	-	-	-
STC					
31 December 2011G	33.3%	50.63%	25.0%	18.82%	28.73%
31 December 2012G	50.0%	52.5%	17.65%	24.7%	32.96%
31 December 2013G	40.0%	42.27%	16.67%	17.68%	23.21%
WESCOSA					
31 December 2011G	-	48.18%	1.89	26.39%	28.04%
31 December 2012G	-	45.37%	1.92%	24.12%	25.82%
31 December 2013G	-	42.50%	16%	15.20%	18.52%
SPTC					
31 December 2011G	50.0%	0.0%	0.0%	0.0%	20%
31 December 2012G	50.0%	53.33%	0.0%	6.25%	22%
31 December 2013G	33.33%	55.0%	0.0%	5.77%	19.23%
CGPSSA					
31 December 2011G	-	-	-	-	-
30 December 2012G	-	100%	-	-	42.86%
31 December 2013G	-	100%	-	-	19.23%
Company›s Total					
31 December 2011G	25.0%	48.69%	6.94%	24.32%	28.14%
31 December 2012G	37.50%	49.51%	5.63%	23.28%	27.69 %
31 December 2013G	30.0%	44.17%	14.86%	15.35%	19.95%

Source: EIC

* Senior Management includes: the CEO and his deputies, as well as the directors of Logistics and Business Development

** Business Management includes: the Finance and IT Department, Internal Audit Department, Human Resources and Administration, Supply Chain, and Business Development Department.

6. Management's Discussion and Analysis of Financial Position and Results of Operations

6.1 Introduction

The Management Discussion and Analysis of Financial Position and Results of Operations of Electrical Industries Company (EIC) are developed, as mentioned below, based on the consolidated financial statements for the years ending on 31 December 2011, 2012 and 2013 and first quarter 2014 and the notes thereto audited by Ernst & Young.

Ernst & Young, or any of its subsidiaries or associates, does not have any shareholding or interest of any kind in the Company. Moreover, they provided their written consent to the reference in the prospectus of their role as auditors of the Company for the financial years ending on 31 December 2011, 2012 and 2013 and first quarter 2014, and did not withdraw such approval till the date of this Prospectus.

This section contains forward-looking data based on plans and forecasts, which involves risks and uncertainties. Actual results of the Company could differ materially from these forward-looking data as a result of various factors, including those discussed in the section and elsewhere in this Prospectus, particularly those set forth in Section (2) "Risk Factors" herein.

6.2 Representation by Members of the Board of Directors on Financial Statements

The Board of Directors declares that the financial information presented in the prospectus was extracted without material change from the Audited Financial Statements and the Audited Financial Statements were prepared in accordance with the standards issued by the Saudi Organization for Certified Public Accountants (SOCPA).

The members of the Board of Director declares that there are no seasonal factors or economic cycles related to the activities of the Company or its subsidiaries that could have an affect on its business or financial status.

Further, the members of the Board of Directors declare that neither the Company nor its Subsidiaries have any holdings, including contractually-based securities or other assets whose value is subject to fluctuations or is difficult to be verified, which significantly affect the assessment of the financial position.

The members of the Board of Directors confirm that neither the Company nor its Subsidiaries have any information on any governmental, economic, fiscal, cash or political policies or any other factors that impacted or may have a (direct or indirect) material impact on operations.

Moreover, they confirm that all material facts regarding the Company and its Subsidiaries and their financial performance have been disclosed in this Prospectus, and that there are no other facts the omission of which would make any statement herein misleading.

The members of the Board of Directors confirm that the Company has neither existing issued debt instruments, nor approved but non-issued debt instruments. Furthermore, they acknowledge that the Company has no hire purchase commitments, liabilities under acceptances or acceptance credits, and has no debts and loans against pledge other than the loan of the Saudi Industrial Development Fund (SIDF) related to power transformers. For more information on the SIDF loan, please see Section (13-2-3) herein titled ("Summary of Material Finance Arrangements").

6.3 Legal Structure and Overview of Business Activities

Electrical Industries Company (EIC) is a closed joint-stock company incorporated under Ministerial Decree No. 198/S dated 25/7/1428H (corresponding to 7/8/2007G) registered in Dammam, KSA, with Commercial Register No. 2050056359 issued on 22/8/1428H (corresponding to 4/9/2007G). EIC, which is wholly owned by Saudi shareholders with paid-in capital of SAR 450 million, has three subsidiaries; namely:

- Saudi Transformers Company (STC), a limited liability company that was established in Dammam, KSA, with Commercial Register No. 2050006007 issued on 7/6/1398H (corresponding to 15/5/1978G). STC produces distribution transformers, electrical substations and low voltage panels.
- Wahah Electric Supply Company of Saudi Arabia (WESCOSA), a limited liability company that was incorporated in 1976 in Dammam, KSA, with Commercial Register No. 2050004182 issued on 19/8/1396H (corresponding to 15/8/1976G). WESCOSA manufactures a full range of distribution transformers, LV/MV switchgears and the relevant accessories, in addition to cable tray.
- Saudi Power Transformers Company Ltd. (SPTC), a limited liability company incorporated in Dammam, KSA, with Commercial Register No. 2050073249 issued on 21/12/1431H (corresponding to 28/11/2010G). SPTC produces power transformers, and it started its commercial operations in April 2013G.

The financial results of Saudi Transformers Company (STC), Wahah Electric Supply Company of Saudi Arabia (WESCOSA), and Saudi Power Transformers Company Ltd. (SPTC) were consolidated under EIC's consolidated financial statements, while the financial results of CG Arabia Company, an associate in which the Company owns 49%, were developed using the shareholders' equity method.

EIC's business activities are mainly focused in the Eastern Province in KSA, and its main business activities are represented in three divisions:

(1) Transformers and Substations (manufactured by STC, WESCOSA, and SPTC);

(2) Switchgears (manufactured by WESCOSA);

(3) Services and maintenance (provided by WESCOSA).

The transformers and Substations division manufactures and supplies the products mainly to Saudi Electricity Company (SEC), public utilities companies in KSA and other GCC countries, and major real estate developers.

The switchgear division manufactures a full range of low- and medium-voltage switchgears, low-voltage distribution panels, and control centers for electric motors and conductors, low-voltage switchgear holders and cable bus, relay and protection panels and cable tray. Products of low- and medium-voltage power switchgears are mainly sold to the contractors of Saudi Aramco, and the oil and gas sector in KSA. Customized switchgears are manufactured for specialized uses.

The services and maintenance division provides after-sale services for the sale of switchgears. It also provides a variety of other services for customers that use the products of WESCOSA and EIC in general. This division provides the services of maintenance, reparation, inspection, renovation and product examination, in addition to the business activities of electrical and mechanical systems and relevant activities. It also provides the services of electrical equipment testing in sites and projects.

6.4 Summary of Significant Accounting Policies

The consolidated financial statements attached hereto were prepared in accordance with the standards issued by SOCPA, using the historical cost principle.

Sales

Sales represent the value of the goods supplied by and the services provided by the Company throughout the year, net of discounts.

Property, Plant and Equipment (PP&E)

PP&E shall be stated at cost net of the accumulated depreciation and any impairment. The land owned and property under construction shall not be subject to depreciation, while the cost of PP&E shall be depreciated using the straight line method throughout the expected useful life of the assets.

Renovations introduced to leased properties shall be depreciated using the straight line method throughout the useful life of renovations or the lease agreement term, whichever is shorter.

Repair and maintenance expenses shall be stated in the consolidated income statement, while the renovations that would materially increase the value or the useful life of the relevant assets shall be capitalized.

Intangible Assets

Costs of future benefits represented in the fees of licensed technology shall be deemed intangible assets, and shall be stated at cost less accumulated depreciation and any impairment of value. The cost of intangible assets shall depreciated using the straight line method throughout the estimated useful life.

Accounts Receivable

The accounts receivable shall be stated in the original amount of the invoice less the provision for doubtful amount. Doubtful debts shall be assessed, when the full debts are unlikely to be recovered, and the bad debts shall be written down when their recovery becomes impossible.

Inventory

Inventory shall be stated in the cost or the market value, whichever is less, and the cost shall represent the costs incurred in order that each product be placed in the current location and condition, calculated as follows:

- Raw materials and spare parts: Cost is determined predominantly based on a weighted average cost basis.
- Goods under manufacturing and fully manufactured goods: Direct cost of raw materials and employees plus an appropriate portion of relevant indirect expenses in accordance with the ordinary business level.

Amounts Payable and Accruals

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

Provisions for Guarantees and Punitive Compensations

Provisions shall be appropriated for guarantees and punitive compensations expected to be incurred in the future under the liabilities of guarantee and other contractual obligations based on the previous experience.

Zakat

A provision shall be made for Zakat in accordance with Saudi Zakat regulations, and shall be recognized in the consolidated statement of income. Additional amounts that may be due upon the completion of the Zakat assessment, if any, shall be recorded in the financial statements of the year in which the Zakat incidence is made.

Staff End-of-Service Remuneration

A provision shall be made for the end-of-service remuneration due to the employees as per their employment contracts, as of the date of the consolidated financial statements.

Statutory Reserve

Pursuant to the Saudi Law of Companies, 10% of the Company's net income shall be transferred each year to a statutory reserve that shall amount to 50% of the capital. This reserve shall not be available for distribution.

Financial Derivatives

The Company used financial derivatives, such as fixed financing cost contracts, to cover the financing risk till 2013. The financial derivatives shall be initially recognized at cost, and shall be then stated at fair value. Unrealized profit/loss resulting from such covered item shall not be recognized.

The fair value shall be typically defined using the current market prices, discounted cash flow method or the other pricing methods as deemed appropriate.

The change in the fair value of the derivative shall be stated in the consolidated income statement under financial charges.

Operating Lease Agreements

Operating leases due under operating lease agreements shall be stated in the consolidated income statement using the straight line method throughout the term of the operating lease agreement.

Fair Values

Fair value for items bearing commissions shall be estimated on the basis of the discounted cash flow method, using the commission prices of items of similar conditions and risk characteristics.

Foreign Currencies

Transactions conducted in foreign currencies shall be stated in Saudi Riyal based on the predominant exchange rates at the time of the transactions. The balances of the cash assets and liabilities stated in foreign currencies shall be exchanged based on the predominant exchange rates at the date of the consolidated financial statements. All exchange differences shall be stated in the consolidated income statement.

6.5 Consolidated Income Statement

Table 6-1: Consolidated Financial Statement for the financial years from 2011 to 2013

SAR 000 (Rounded Figures)	2011	2012	2013	Change % 2011-2012	Change % 2012-2013	CAGR 2011-2013
Sales	962,088	1,062,700	1,285,258	10.5%	20.9%	15.6%
Cost of Sales	(762,864)	(863,153)	(1,019,000)	13.1%	18.1%	15.6%
Gross Profit	199,224	199,547	266,258	0.2%	33.4%	15.6%
Selling and Distribution Expenses	(38,512)	(41,071)	(38,583)	6.6%	(6.1%)	0.1%
General and Administrative Expenses	(29,022)	(35,736)	(46,517)	23.1%	30.2%	26.6%
Operating Income	131,690	122,741	181,158	(6.8%)	47.6%	17.3%
Other Income Net	1,152	1,548	4,379	34.4%	182.9%	95.0%
Financial charges	(10,349)	(8,175)	(11,180)	(21.0%)	36.8%	3.9%
Income before Share in results of associate company, Non-controlling equity, and Zakat	122,493	116,113	174,357	(5.2%)	%50.2	19.3%
Share in Results of an Associated Company	(168)	(966)	(545)	476.3%	(43.5%)	80.4%
Income before Non-controlling Interest, and Zakat	122,326	115,148	173,812	(5.9%)	50.9%	19.2%
Non-controlling interest	349	1,330	10,123	280.9%	661.4%	438.6%
Income before Zakat	122,675	116,477	183,935	(5.1%)	%57.9	22.4%
Zakat	(8,976)	(8,329)	(17,972)	(7.2%)	115.8%	41.5%
Net Income	113,698	108,149	165,963	(4.9%)	53.5%	20.8%

Source: Audited Consolidated Financial Statements

Table 6-2: Key Financial Indicators for the financial years from 2011 to 2013

Key Financial Indicators	2011	2012	2013
Annual Growth of Revenue	-	10.5%	20.9%
Annual Growth of Net Income	-	(%4.9)	%53.5
Profit before Financing Cost, Zakat, Depreciation and Impairment (SAR million)	147.2	137.7	201.5
Gross Profit Margin	20.7%	18.8%	20.7%
Gross Profit Margin before Financing Cost, Zakat, Depreciation and Amortization	15.3%	13.0%	15.7%
Net Profit Margin	11.8%	10.2%	12.9%
Liquidity Ratio (X)	2.2x	1.5x	2.3x
Return on Equity (ROE)	22.0%	22.0%	30.7%
Return on Assets (ROA)	12.2%	8.7%	13.7%

Source: EIC

Sales

Sales increased 10.5% from SAR 962.1 million in 2011 to SAR 1,062.7 million in 2012, due to an increase of SAR 58.6 million in the sales of transformers, and an increase of SAR 30.3 million in the sales of switchgears. This followed the recovery in demand for the Company products by the contractors of Saudi Aramco, the oil and gas and the industrial sectors, which are mainly related to the projects of Saudi Aramco after the global financial crisis.

Sales increased 20.9% from SAR 1,062.7 million in 2012 to SAR 1,285.3 million in 2013, as a result of an increase of SAR 127.2 million in the sales of transformers, following higher demand by Saudi Electricity Company (SEC), and of an increase of SAR 80.2 million in the sales of switchgears, related to Saudi Aramco-related projects.

Gross Profit Margin

Gross profit margin declined 1.9% from 20.7% in 2011 to 18.8% in 2012, as the Company was forced to decrease the prices of the sales of transformers due to the competition faced during this period .

In 2013, gross profit margin increased 1.9% from 18.8% in 2012 to 20.7% in 2013 due to the following: (1) the increase of selling prices of transformers, including those of competitor companies; (2) improvement of profit margins of power switchgears (+3.6%) following the start of the execution of projects that generate higher profit margins; and (3) Higher profit margin of services (+12.1%) as a result of an increase in the maintenance projects that generate higher profit margins.

Operating Expenses

Operating expenses increased 13.8% from SAR 67.5 million in 2011 to SAR 76.8 million in 2012, mainly due to an increase of SAR 8.6 million in staff cost as a result of the expansion in the number of employees, primarily to meet the demand for the switchgears.

In 2013, operating expenses increased 10.8% from SAR 76.8 million in 2012 to SAR 85.1 million in 2013, mainly due to an increase of SAR 3.7 million in staff cost and an increase of SAR 3.9 million in office expenses.

Other Income

Other Income mainly represents the profit from the foreign exchange and the affixation of financing cost, in addition to the proceeds from the sale of machinery and equipment and from the collection of bad debts. Other Income increased 34.4% from SAR 1.1 million in 2011 to SAR 1.5 million in 2012, due to profit from hedging against financing cost.

In 2013, other income rose by 182.9% from SAR 1.5 million in 2012 to SAR 4.4 million in 2013, mainly due to insurance claims of SAR 4.1 million related to a fire incident in 2011, in addition to proceeds from the sale of scrap.

Interest in the Results of an Associate Company

EIC owns 49% in CG Arabia Company that was incorporated in 2010 and made a loss in the period from 2011 to 2013, as it started up its commercial operations in 2012.

Non-controlling Equity

Non-controlling equity is related to SPTC, in which EIC owns 51%, while the remaining 49% is owned by CG Power Company. Non-controlling equity increased throughout the period from 2011 to 2013, as a result of the increase in the share of CG Power Company in the losses made by SPTC that started up its commercial operations in April 2013.

Net Income

Net income decreased 4.9% from SAR 113.7 million in 2011 to SAR 108.1 million in 2012, mainly due to lower gross profit margins as a result of the decrease in the selling prices due to the competition and higher general and administrative expenses.

In 2013, net income increased 53.5% from SAR 108.1 million to SAR 166 million, due to higher sales, improved selling prices and an increase in gross profit margin offset by a slight increase in operating expenses.

6.5.1 Sales

6.5.1.1 Sales as per Subsidiaries and Associates

Table 6-3: Sales as per Subsidiaries and Associates for the financial years from 2011 to 2013

SAR 000 (Rounded Figures)	2011	2012	2013	Change % 2011-2012	Change % 2012-2013	CAGR 2011-2013
Sales						
WESCOSA	553,292	627,391	719,123	13.4%	14.6%	14.0%
STC	408,796	435,310	558,728	6.5%	28.4%	16.9%
SPTC	-	-	7,407	-	-	-
Total Sales	962,088	1,062,700	1,285,258	10.5%	20.9%	15.6%
% of Sales						
WESCOSA	57.5%	59.0%	56.0%			
STC	42.5%	41.0%	43.5%			
SPTC	-	-	0.6%			

Source: EIC

WESCOSA Sales

WESCOSA sales increased 13.4% from SAR 553.3 million in 2011 to SAR 627.4 million in 2012, as a result of higher sales related to the oil and gas projects in addition to higher exports by the Company to GCC countries and the Middle East. In 2013, sales rose by 14.6% from SAR 627.4 million in 2012 to SAR 719 million due to an increase in purchase orders of transformers by Saudi Electricity Company (SEC) in addition to higher demand for the Company's products by Saudi Aramco contractors and the oil and gas sector.

STC Sales

STC sales rose by 6.5% from SAR 408.8 million in 2011 to SAR 435.3 million in 2012, mainly due to the increase in the sales of transformers to SEC. In 2013, sales of STC increased 28.4% from SAR 435.3 million in 2012 to SAR 558.7 million due to higher purchase orders by SEC after increasing the capacity of transformers as a result of the inauguration of the new transformers plant (Plant No. 3).

SPTC Sales

SPTC started up operations in 2013 and made total sales of SAR 7.4 million representing the sale value of six 25 MVA transformers to Al Toukhi Group related to SEC projects, Generation Section, (For more details, please see Section (13-3) herein titled "Contracts and Dealings with Related Parties").

6.5.1.2 Sales as per Divisions

Table 6-4: Sales as per divisions for the financial years from 2011 to 2013

SAR 000 (Rounded Figures)	2011	2012	2013	Change % 2011-2012	Change % 2012-2013	CAGR 2011-2013
Sales						
Transformers	747,942	806,647	933,806	7.8%	15.8%	11.7%
Power Switchgears	176,789	207,054	287,312	17.1%	38.8%	27.5%
Services	37,357	48,999	56,733	31.2%	15.8%	23.2%
SPTC	-	-	7,407	-	-	-
Total Sales	962,088	1,062,700	1,285,258	10.5%	20.9%	15.6%
% of Sales						
Transformers	77.7%	75.9%	72.7%			
Power Switchgears	18.4%	19.5%	22.4%			
Services	3.9%	4.6%	4.4%			
SPTC	-	-	0.6%			
Volumes in MVA						
Total Transformers	8,520	9,942	11,147			
Average Selling Price per MVA (SAR 000)						
Transformers	87.8	81.1	83.8			

Source: EIC

Sales of Transformers

Sales of transformers increased by 7.8% from SAR 747.9 million in 2011 to SAR 806.6 million in 2012, as a result of higher exports as well as the recovery of demand by the industrial sector after the financial crisis and the resumption of work on the projects of Saudi Aramco contractors and the oil and gas sector.

The increase in the sales of transformers is mainly due to the increase of 16.7% in volume of sales in Megavolt Ampere (MVA) (Capacity) from 8,520 MVA in 2011 to 9,942 MVA in 2012, despite a slight decrease in average selling price per MVA from SAR 87.8 thousand in 2011 to SAR 81.1 thousand per MVA in 2012 due to the competition in this year (for more details, please see Section (2-1) herein titled "Risk Related to Operations of Company, Subsidiaries and Associates"), in addition to an increase in purchase orders by SEC to purchase transformers and 220 volt substations which are sold for a price for each MVA which is lower compared to 220/110 volt transformers.

Sales of transformers increased 15.8% from SAR 806.6 million in 2012 to SAR 933.8 million in 2013 due to an increase of 12.1% in volume of sales in MVA from 9,942 MVA in 2012 to 11,147 MVA in 2013, along with an increase of SAR 2,700 in average selling price for each MVA. The rise in volume of sales in 2013 was due to the increase in the value of tenders offered by SEC to meet the increasing demand for electricity in KSA, while the increase in average selling price per MVA was due to the improved selling prices of SEC based on the recovery in and stabilization of the prices of transformers throughout the year.

Sales of Switchgears

Sales of LV/MV switchgears ("Switchgear") rose by 17.1% from SAR 176.8 million in 2012 to SAR 207.1 million in 2012 as a result of the increase in projects of Saudi Aramco contractors and the oil and gas sector.

In 2013, sales of switchgears increased 38.8% from SAR 207.1 million in 2012 to SAR 278.3 million in 2013, also due to the increase in projects of Saudi Aramco contractors and the oil and gas sector.

Sales of Services

The sales of services are closely related to the sales of switchgears, as after-sale services of switchgears represent around 50% of the sales of services. The service and maintenance agreements are typically concluded after a period ranging between 6 and 12 months from the sale of switchgears.

The sales of services increased 31.2% from SAR 37.4 million in 2011 to SAR 49 million in 2012 as a result of higher sales of switchgears throughout the year.

In 2013, the sales of service rose by 15.8% from SAR 49 million in 2012 to SAR 56.7 million in 2013, mainly due to a further increase in the sales of services throughout the year and the awarding of new projects to the Company by Saudi Aramco and the oil and gas sector through tenders.

Saudi Power Transformers Company (SPTC) Sales

SPTC started its commercial operations in 2013, and generated total sales of SAR 7.4 million representing the sale value of six 25 MVA transformers to Al Toukhi Group related to SEC projects, Generation Section, (For more details, please see Section (13-3) herein titled "Contracts and Dealings with Related Parties").

6.5.1.3 Sales as per Transformer Business Units

Table 6-5: Sales as per Transformer Business Units for the financial years from 2011 to 2013

SAR 000 (Rounded Figures)	2011	2012	2013	Change % 2011-2012	Change % 2012-2013	CAGR 2011-2013
Distribution Transformers	307,449	384,425	398,397	25.0%	3.6%	13.8%
Substations	367,506	308,818	434,434	(16.0%)	40.7%	8.7%
Penalties of Other Transformers	74,147	115,461	103,389	55.7%	(10.5%)	18.1%
Penalties	(1,160)	(2,056)	(2,413)	77.3%	17.3%	44.2%
Total	747,942	806,647	933,806	7.8%	15.8%	11.7%
Volume in MVA - Capacity						
Distribution Transformers	3,456	5,011	4,942	45.0%	(1.4%)	19.6%
Substations	4,355	3,775	5,440	(13.3%)	44.1%	11.8%
Penalties of Other Transformers	710	1,157	765	63.0%	(33.9%)	3.8%

SAR 000 (Rounded Figures)	2011	2012	2013	Change % 2011-2012	Change % 2012-2013	CAGR 2011-2013
Volume in MVA – (Capacity)	8,520	9,942	11,147	16.7%	12.1%	14.4%
Average Selling Price per MVA (SAR 000)						
Distribution Transformers	89.0	76.7	80.6	(13.8%)	5.1%	(4.8%)
Substations	84.4	81.8	79.9	(3.1%)	(2.4%)	(2.7%)
Penalties of Other Transformers	104.5	99.8	135.1	(4.4%)	35.4%	13.7%
Average Total Selling Price	87.8	81.1	83.8	(7.6%)	3.3%	(2.3%)

Source: EIC

The main products of the transformer business unit comprise distribution transformers and substations, which jointly constituted 88.4% of average total sales of the transformer business unit throughout the period from 2011 to 2013.

The sales of the transformer business units depend on SEC needs, in addition to housing projects and the related infrastructure. The sales of the transformer business units have witnessed fluctuations from year to year throughout the period, although the sales of transformers increased at a compound annual growth rate (CAGR) of 11.7% from SAR 747.9 million in 2011 to SAR 933.8 million in 2013.

The increase in sales during this period is mainly due to higher sales volume in MVA (Capacity) resulting from the increase in the purchase orders by SEC and the Company exports to GCC countries, along with an increase in the Company's production capacity of transformers after the inauguration of a new transformer plant in 2013. During the same period, the average selling price per MVA declined from SAR 87.8 thousand to SAR 83.8 thousand as a result of an increase in total sales volume in MVA (Capacity) through the sale of higher capacity transformers whose average selling price per MVA is less than the average selling price of the lower capacity transformers, as the transformer price does not proportionally increase against the increase in the transformer capacity in MVA, along with the competition.

Sales of Distribution Transformers

Sales of Distribution Transformers rose 25% from SAR 307.4 million in 2011 to SAR 384.4 million in 2012, due to an increase in sales volume in MVA (Capacity) from 3,456 MVA in 2011 to 5,011 MVA in 2012 as a result of higher demand by SEC for distribution transferors and higher exports to GCC countries, especially Kuwait. Average selling price per MVA declined 13.8% from SAR 89 thousand in 2011 to SAR 76.7 thousand in 2012 as a result of the increase in the percentage of sales of 220V transformers in total sales of distribution transformers whose price is less than that of 110/220V dual-voltage transformers sold in 2011.

In 2013, the sales of transformers increased 3.6% from SAR 384.4 million in 2012 to SAR 398.4 million in 2013, mainly due to the increase of 5.1% in average selling price per MVA from SAR 76.7 thousand in 2012 to SAR 80.6 thousand in 2013 as a result of the total increase in the selling prices of the Company products related to oil and gas projects and export projects.

Sales of Substations

Sales of Substations declined 16% from SAR 367.5 million in 2011 to SAR 308.8 million in 2012, due to lower sales volume in MVA (Capacity) from 4,355 MVA in 2011 to 3,775 MVA in 2012, as a result of the drive to focus the Company's production capacity in the production of transformers whose selling price and profit margin are better compared to Substations. The decline of 3.1% in average selling price of power stations per MVA is due to lower selling prices of SEC resulting from increased competition.

Total sales of substations rose 40.7% from SAR 308.8 million in 2012 to SAR 434.4 million in 2013 as a result of the increase in sales volume in MVA (Capacity) to meet the increase in the purchase orders by SEC and in the Company's production capacity on account of the new production line (Plant No. 3). The average selling price per MVA declined 2.4% in 2013 as a result of higher demand for LV power stations (400 volts) whose prices are typically lower than LV Substations (231 volts).

Sales of Other Transformers

Sales of Other Transformers included the sales of power transformers, special application transformers and floor-mounted transformers conforming to the specifications of the American National Standards Institute (ANSI). Sales of other transformers increased 55.7% from SAR 74.1 million in 2011 to SAR 115.5 million in 2012, due to an increase in the sales of power transformers, as the Company management focused on enhancing profitability through driving the production capacity toward the production of power transformers with higher profit margins.

In 2013, the sales of other transformers declined 10.5% from SAR 115.5 million in 2012 to SAR 103.4 million in 2013, as a result of lower sales of power transformers mainly due to lower market demand for such transformers.

Penalties

Penalties mainly represent the provisions for penalties on delay in the delivery of purchase orders. The increase of 77.3% in penalties from SAR 1.2 million in 2011 to SAR 2.1 million in 2012 was mainly due to the delay in the exporting of power distribution transformers to the State of Kuwait.

In 2013, penalties increased 17.3% from SAR 2.1 million to SAR 2.4 million as a result of the same export volume. It is worth mentioning that the transformers above were manufactured and the client (the Kuwaiti Ministry of Electricity and Water) inspected and approved them. However, it was noted through the final inspection by the Company's Quality Department that there were stains and painting sediments on the coolers of the transformers, which are manufactured by a third party. Accordingly, the Company decided to delay the delivery and change the coolers, which caused a delay in delivery. This decision was praised by the Kuwaiti Ministry, which has recently decided to exempt the Company from the penalties resulting from such delay.

6.5.1.4 Sales as per Customer Segments

Table 6-6: Sales as per customer segments for the financial years from 2009 to 2013

SAR 000 (Rounded figures)	2009	2010	2011	2012	2013	CAGR 2011-2013
Local Sales						
Saudi Electricity Company (SEC)	430,762	480,446	505,906	416,252	626,739	11.3%
Saudi Aramco Contractors and the Oil and Gas Sector	166,697	93,180	174,108	207,635	332,967	38.3%
Other Contractors	157,275	207,970	214,523	270,932	190,708	(5.7%)
Other Clients	54,002	40,671	10,561	16,306	23,857	50.3%
Total Local Sales	808,736	822,267	905,098	911,125	1,174,271	9.8%
Exports	140,436	159,144	56,990	151,576	103,580	34.8%
Subtotal	949,173	981,411	962,088	1,062,700	1,277,851	15.2%
SPTC	-	-	-	-	7,407	-
Company Total Sales	949,173	981,411	962,088	1,062,700	1,285,258	15.6%

Annual Change %		2009-2010	2010-2011	2011-2012	2012-2013	
Saudi Electricity Company (SEC)		11.5%	5.3%	(17.7%)	50.6%	
Saudi Aramco Contractors and Oil and Gas Sector		(44.1%)	86.9%	19.3%	60.4%	
Other Contractors		32.2%	3.2%	26.3%	(29.6%)	
Other Clients		(24.7%)	(74.0%)	54.4%	46.3%	
Total Local Sales		1.7%	10.1%	0.7%	28.9%	
Exports		13.3%	(64.2%)	166.0%	(31.7%)	
Subtotal		3.4%	(2.0%)	10.5%	20.2%	
SPTC		-	-	-	-	
Company Total Sales		3.4%	(2.0%)	10.5%	20.9%	

Source: EIC

Sales to SEC

Sales to the Saudi Electricity Company (SEC) accounted for 48.7% of the Company's total sales in 2013. Such sales mainly included transformers and power stations. The sales to SEC declined 17.7% from SAR 505.9 million in 2011 to SAR 416.3 million in 2012, as a result of the decrease in average selling price per MVA from SAR 87.8 thousand to SAR 81.1 thousand due to the competition during this year, albeit a higher total sales volume.

In 2013, sales to SEC rose 50.6% from SAR 416.3 million in 2012 to SAR 626.7 million due to an increase in offered tenders and purchase orders by SEC to be in line with higher demand for electricity in KSA, in addition to the recovery in average selling price per MVA from SAR 81.1 thousand to SAR 83.8 thousand.

It is worth mentioning that sales to SEC rose by 11.5% from SAR 430.8 million in 2009 to SAR 480.4 million in 2010, mainly due to the increase in the purchase orders by SEC for compact substations and relay and protection panels, as well as its projects on account of higher demand for electricity in KSA. In addition, sales to SEC increased 5.3% from SAR 480.5 million in 2010 to SAR 505.9 million in 2011 as a result of an increase in purchase orders of compact substations and distribution transformers by SEC.

Sales to Saudi Aramco Contractors and the Oil and Gas Sector

The sales to Saudi Aramco contractors and the oil and gas sector represented 26% of total sales in 2013. The sales to Saudi Aramco contractors and the oil and gas sector mainly comprise power switchgears, as well as the special switchgears and services. Sales to Saudi Aramco contractors and the oil and gas sector increased 19.3% from SAR 174.1 million in 2011 to SAR 207.6 million in 2012, as a result of the implementation of mega projects of Saudi Saudi Aramco, the most significant of which are Yanbu Saudi Aramco Sinopec Refining Company Ltd. (YASREF), Wasit Gas Plant ("Wasit") and Shaybah Natural Gas Liquid Project.

In 2013, sales to oil and gas contractors increased 60.4% from SAR 207.6 million in 2012 to SAR 333 million, mainly due to Saudi Aramco's Sadara Chemical Company project. The remaining amount is primarily related to projects that have been ongoing since 2012, the most important of which are the YASREF and Wasit projects.

It is worth mentioning that the sale to Saudi Aramco contractors and the oil and gas sector dropped by 44.1% from SAR 166.7 million in 2009 to SAR 93.2 million in 2010 as a result of the disruption and reduction of the number of the oil and gas sector projects on account of the world financial crisis. Meanwhile, sales rose 86.9% from SAR 93.2 million in 2012 to SAR 174.1 million in 2011 due to the resumption of the oil and gas sector projects.

Sales to Other Contractors

Other contractors provide supply services to main contractors of projects directly related to SEC, in addition to other private projects. Sales to other contractors increased 26.3% from SAR 214.5 million in 2011 to SAR 270.9 million in 2012 (i.e. an increase of SAR 56.4 million) due to higher sales of transformers and Substations of the infrastructure projects related to the development of lands made for residential units in KSA, especially in the Eastern and Western Provinces.

The sales to other contractors declined 29.6% from SAR 270.9 million in 2012 to SAR 190.7 million in 2013 due to the driving of the Company's capacity to meet the increase in the purchase orders of transformers to SEC.

Exports

Exports represent the sales to clients outside KSA. Exports increased 166% from SAR 57 million in 2011 to SAR 151.6 million in 2012, as a result of the supply of distribution transformers of SAR 89.8 million to the Kuwaiti Ministry of Electricity and Water, in addition to the supply of switchgears and cable tray of SAR 14 million to a project in the UAE.

In 2013, exports dropped 31.7% from SAR 151.6 million in 2012 to SAR 103.6 million in 2013 due to the completion of the supply of distribution transformers of SAR 45 million to the Kuwaiti Ministry of Electricity and Water, as well as higher local demand.

Exports grew 13.3% from SAR 140.4 million in 2009 to SAR 159.1 million in 2010, as a result of the supply of distribution transformers and package stations to the UAE's Dubai Electricity and Water Authority (DEWA) and clients in Kuwait and Bahrain. Exports declined 64.2% from SAR 159.1 million in 2010 to SAR 57 million in 2011, due to the supply of distribution transformers and compact substations to DEWA.

Sales to Other Clients

Sales to other Clients mainly comprise switchgears and services. Sales to other clients grew 54.4% from SAR 10.6 million in 2011 to SAR 16.3 million in 2012 as a result of SABIC's Arabian Industrial Fibers Company (IBN RUSHD) project in Yanbu. Sales to other clients increased climbed 46.3% from SAR 16.3 million in 2012 to SAR 23.9 million in 2013 as a result of the start-up of a number of projects of SABIC subsidiaries, the most important of which are the project of the Arabian Petrochemical Company (PETROKEMYA) and the project of Al-Jubail Petrochemical Company (Kemya).

6.5.2 Cost of Sales

Table 6-7: Cost of sales for the financial years from 2011 to 2013

SAR 000 (Rounded Figures)	2011	2012	2013	Change % 2011-2012	Change % 2012-2013	CAGR 2011-2013
Sales	962,088	1,062,700	1,285,258	10.5%	20.9%	15.6%
Direct Materials	611,051	696,886	808,307	14.1%	16.0%	15.0%
General Manufacturing Expenses	91,306	98,419	117,232	7.8%	19.1%	13.3%
Depreciation	12,491	11,783	10,790	(5.7%)	(8.4%)	(7.1%)
Direct Staff	48,015	56,065	66,697	16.8%	19.0%	17.9%
SPTC	-	-	15,974	-	-	-
Total Cost of Sales	762,864	863,153	1,019,000	13.2%	18.1%	15.6%
Gross Profit	199,225	199,547	266,258	0.2%	33.4%	15.6%
% of Sales						
Direct Materials	63.5%	65.6%	62.9%			

SAR 000 (Rounded Figures)	2011	2012	2013	Change % 2011-2012	Change % 2012-2013	CAGR 2011-2013
General Manufacturing Expenses	9.5%	9.3%	9.1%			
Depreciation	1.3%	1.1%	0.8%			
Direct Staff	5.0%	5.3%	5.2%			
Gross Profit Margin	20.7%	18.8%	20.7%			

Source: EIC

The Company generated a gross profit margin of 18.8% in 2012, compared to 20.7% in 2011, mainly due to a decline in the selling prices of transformers during the year on account of the increasing competition after the penetration of new competitors into the market. In 2013, the Company generated a gross profit margin of 20.7% as a result of prices being reinstated to their normal level after the competitor abandoned its discounted prices set to penetrate the market, in addition to higher sales of switchgears and services of a profit growth margin that is higher than the Company's other products.

Direct Materials

The costs of direct materials mainly included cooper, silicon steel, and transformer oil, as well as other accessories for transformer production. Copper and silicon steel, accounting for between 60% and 70% of total direct materials, represent the majority of direct materials consumed in the transformer manufacturing.

Direct materials for the manufacturing of switchgears mainly include circuit breakers, copper and insulating materials that account for 50-60% of such direct materials used in the manufacture of power switchgears.

The cost of direct materials increased 14% from SAR 611.1 million in 2011 to SAR 696.9 million in 2012 as a result of higher sales volume. The cost of direct materials increased as a percentage of total sales from 63.5% in 2011 to 65.6% in 2012, due to lower selling prices of transformers in 2012.

In 2013, the cost of direct materials rose by 16% from SAR 696.9 million in 2012 to SAR 808.3 million in 2013 as a result of higher sales. However, the cost of direct materials declined from 65.6% in 2012 to 62.9% in 2013 due to the recovery in selling prices of transformers in 2013, as well as the increase in the Company's sales of small transformers, special applications transformers and cable bus courses in general to Saudi Aramco contractors and the oil and gas sector, which have a higher profit margin.

General Manufacturing Expenses

General manufacturing expenses comprise the salaries of full-time employees, indirect materials and production-related miscellaneous expenses, which are relatively deemed a fixed cost. The general manufacturing expenses increased 7.8% from SAR 91.3 million in 2011 to SAR 98.4 million in 2012 as a result of higher sales. However, the percentage of general manufacturing expenses in the sales stood unchanged in 2012, compared to 2011.

In 2013, general manufacturing expenses increased 19.1% from SAR 98.4 million in 2012 to SAR 117.2 million in 2013 due to higher sales. General manufacturing expenses as a percentage of the sales declined from 9.5% in 2011 to 9.1% in 2013, as the growth of sales was greater than the increase in general manufacturing expenses.

Cost of Direct Workforce

Table 6-8: Cost of direct workforce for the financial years from 2011 to 2013

SAR 000 (Rounded Figures)	2011	2012	2013	Change % 2011-2012	Change % 2012-2013	CAGR 2011-2013
Cost of Workforce	26,127	27,825	42,771	6.5%	53.7%	27.9%
Cost of Leased Workforce	21,888	28,240	23,926	29.0%	(15.3%)	4.6%
Total Cost of Direct Workforce	48,015	56,065	66,697	16.8%	19.0%	17.9%
Headcount	361	370	849	2.5%	129.5%	53.4%
Number of Leased Workforce	621	769	303	23.8%	(60.6%)	(30.1%)
Total Number of Direct Workforce	982	1,139	1,152	16.0%	1.1%	8.3%

Source: EIC

The expenses of direct workforce are mainly related to the cost of the skilled workforce to whom the Company provides guaranty, in addition to the leased workforce such as the coil and welding technicians.

The Company uses leased workforce in some service functions and in the divisions where the production fluctuates due to the nature of the product, such as the power switchgear division, as the designing takes a long time and the production starts after approval of the final design, during the second half of 2013, the guaranty of 425 technicians were transferred to the Company. The leased workforce decreased from 769 employees in 2012 to 303 employees in 2013. It is worth mentioning that the leased workforce was recruited through contracts concluded with contractors authorized to lease workforce.

The cost of direct workforce increased 16.8% from SAR 48 million in 2011 to SAR 56.1 million in 2012, as a result of an increase in the headcount and the leased workforce to support the increase in the manufacturing activities in the divisions of power switchgears and transformers. The cost of direct workforce rose by 19% from SAR 56.1 million in 2012 to SAR 66.7 million in 2013, mainly due to the increase in headcount that primarily resulted from the start-up of the new distribution transformers plant and SPTC, in addition to the annual increases in salaries. It is worth mentioning that the cost of the direct workforce represented a percentage ranging between 5% and 5.2% of total sales during the years from 2011 to 2013.

6.5.3 Gross Profit Margin

6.5.3.1 Gross Profit Margin as per Subsidiaries and Associates

Table 6-9: Gross profit margin as per subsidiaries and associates for the financial years from 2011 and 2013

SAR 000 (Rounded Figures)	2011	2012	2013	Change % 2011-2012	Change % 2012-2013	CAGR 2011-2013
Gross Profit						
WESCOSA	110,804	135,900	183,281	22.6%	34.9%	28.6%
STC	88,420	63,647	91,555	(28.0%)	43.8%	1.8%
SPTC	-	-	(8,578)	-	-	-
Total Gross Profit	199,224	199,547	266,258	0.2%	33.4%	15.6%
Gross Profit Margin						

SAR 000 (Rounded Figures)	2011	2012	2013	Change % 2011-2012	Change % 2012-2013	CAGR 2011-2013
WESCOSA	20.0%	21.7%	25.5%			
STC	21.6%	14.6%	16.4%			
SPTC	-	-	(108.6%)			
Company's Gross Profit Margin	20.7%	18.8%	20.7%			

Source: Audited Financial Statements of Subsidiaries and Company

WESCOSA Gross Profit Margin

WESCOSA gross profit margin increased from 20% in 2011 to 21.7% in 2012, mainly due to the increase in the profit margin of switchgears from 8.9% in 2011 to 22.4% in 2012 as a result of the delivery of project of Saudi Aramco contractors, oil and gas sector and other local contractors. This increase in gross profit margin of switchgears was offset by a decline in gross profit margin of transformers from 21% in 2011 to 17.4% in 2012, mainly due to lower selling prices of transformers to SEC as a result of increasing competition throughout the year.

In 2013, gross profit margin of WESCOSA rose by 21.7% in 2012 to 25.5% as a result of: (1) An increase in gross profit margin of switchgears from 22.4% in 2012 to 26% in 2013, mainly due to higher profit margins in contracts concluded with Saudi Aramco contractors and the oil and gas sector; (2) An increase in gross profit margins of transformers from 15.7% in 2012 to 17.4% in 2013, mainly due to higher selling prices on account of the recovery of market prices to the levels of 2013; (3) An increase in profit margin of the services division from 54% in 2012 to 66.1% in 2013, mainly due to the increase in maintenance work that does not provide materials and projects of higher profit margins compared to the maintenance projects that include the provision of materials.

Gross Profit Margin of STC

Gross profit margin of STC declined from 21.6% in 2011 to 14.6% in 2012, as a result of lower selling prices of purchase orders of distribution transformers to SEC due to increasing competition in addition to fluctuations of the prices of raw materials.

In 2013, gross profit margin of STC rose by 14.6% in 2012 to 16.4%, as a result of the improved selling prices of distribution transformers to SEC.

Gross Profit Margin of SPTC

SPTC started up its pilot operations in February 2013, and its commercial operation in April 2013, when it manufactured the first power transformers. STPC made a total loss of SAR 8.6 million in 2013.

6.5.3.2 Gross Profit Margin as per Business Units

Table 6-10: Gross profit margin as per business units for financial years from 2011 to 2013

SAR 000 (Rounded Figures)	2011	2012	2013	% Change 2011-2012	% Change 2012-2013	CAGR 2011-2013
Gross Profit						
Transformers	157,046	126,794	162,525	(19.3%)	28.2%	1.7%
Switchgears	15,778	46,307	74,813	193.5%	61.6%	117.7%
Services	26,399	26,447	37,487	0.2%	41.7%	19.2%
SPTC	-	-	(8,566)	-	-	-
Gross Profit	199,224	199,547	266,258	0.2%	33.4%	15.6%
Gross Profit Margin						

SAR 000 (Rounded Figures)	2011	2012	2013	% Change 2011-2012	% Change 2012-2013	CAGR 2011-2013
Transformers	21.0%	15.7%	17.4%			
Switchgears	8.9%	22.4%	26.0%			
Services	70.7%	54.0%	66.1%			
SPTC	-	-	(115.7%)			
Gross Profit Margin	20.7%	18.8%	20.7%			

Source: EIC

Compound annual growth rate (CAGR) amounted to 15.6% from SAR 199.2 million in 2011 to SAR 266.3 million in 2013, mainly due to an increase in sales of all divisions of the Company and improvement in selling prices of products.

Gross Profit Margins of Transformers

Gross profit margins of transformers declined from 21% in 2011 to 15.7% in 2012, as a result of lower selling prices of transformers to SEC due to the increasing market competition in 2012, as well as the fluctuations of raw material prices.

In 2013, the increase in gross profit margin from 15.7% in 2012 to 17.4% in 2013 was due to the improvement in the selling prices of transformers to SEC, after the competitors increased their selling prices, in addition to higher profit margin on export-related purchase orders.

Gross Profit Margin of Power Switchgears

Gross profit margin of power switchgears increased from 8.9% in 2011 to 22.4% in 2012, as a result of the re-offering of oil and gas projects and industrial projects after the financial crisis, and the implementation of contracts of higher profit margin, the most important of which is YASREF, compared to 2011.

In 2013, the increase in gross profit margin from 22.4% in 2012 to 26% in 2013 was mainly due to the implementation of projects in the oil, gas and petrochemicals sector, which generated higher profit margins. The most important projects include Sadara Project and YASREF project to build an oil refinery in Yanbu.

Gross Profit Margin of Services

Gross profit margin of services is deemed the highest in general compared to other products. EIC provides two types of services; namely, maintenance without material provision and maintenance inclusive of material provision. Comprehensive maintenance contracts for material provision generate higher sales but with lower profit margins on account of lower profit margin on raw materials.

Gross profit margin of services dropped from 70.7% in 2011 to 54% in 2012, mainly due to higher percentage of comprehensive maintenance services to provide materials of total sales of services.

Gross profit margin of services grew from 54% in 2012 to 66.1% in 2013 as a result of the increase in maintenance work (without providing materials) and projects of higher profit margin compared to maintenance projects that provide materials due to the increase in sales of switchgears after the financial crisis.

Profit Margin of SPTC

The total loss incurred by the SPTC amounted to SAR 8.6 million throughout the year, as its sales amounted to SAR 7.4 million against cost of sales of SAR 16 million, as the company maintained its skillful direct workforce of production designers and supervisors, while it generated low sales in 2013 due to its recent start-up and the lack of completion of its credential approval by its key clients. It is worth mentioning that SPTC completed its registration approval procedures in the second quarter of 2014.

6.5.4 Selling and Distribution Expenses

Table 6-11: Selling and distribution expenses in the financial years from 2011 to 2013

SAR 000 (Rounded Figures)	2011	2012	2013	% Change 2011-2012	% Change 2012-2013	CAGR 2011-2013
Staff Costs	12,102	14,760	13,168	22.0%	(10.8%)	4.3%
Freight	6,133	8,489	10,216	38.4%	20.3%	29.1%
Royalty	6,739	8,181	8,546	21.4%	4.5%	12.6%
Promotion and Advertising	2,843	4,447	451	56.4%	(89.9%)	(60.2%)
Technical Guarantee	4,126	1,922	3,001	(53.4%)	56.1%	(14.7%)
(Reversal) Doubtful Debt Provisions	2,449	(749)	(3,178)	(130.6%)	(324.3%)	-
Others	4,120	4,021	6,379	(2.4%)	58.7%	24.4%
Total	38,512	41,071	38,583	6.6%	(6.1%)	0.1%

Source: Audited Consolidated Financial Statements

Selling and distribution expenses mainly comprise staff costs, freight to foreign countries, royalties, guarantees, promotions and advertising, expenses of doubtful debts, office expenses and other expenses.

Staff Costs

Staff costs mainly include salaries and privileges paid to the sales and marketing staff. Staff costs increased 22% from SAR 12.1 million in 2011 to SAR 14.8 million in 2012, due to the addition of a number of new employees and the promotion of a number of current employees as part of the restructuring of the sales and marketing department, whereby the departments of sales in the STC and WESCOSA were merged under one department, and adding to it the marketing function. The promotion of employees has caused an increase in the provision for their end-of-service gratuity for the total service years, due to the increase in their pay added to the staff cost in 2012 as one-off expenses. The Company increased the provision for staff travel allowance from 50% to 100% of the travel ticket value in 2012, which was also added to the staff cost in the year as one-off expenses.

After applying the increase above resulting from the non-recurrent expenses due to the amounts added to the provision of end-of-service gratuity and staff travel allowance in 2012, the staff costs dropped 10.8% from SAR 14.8 million in 2012 to SAR 13.2 million in 2013.

Costs of Freight

Costs of freight reflect the cost of delivery of products to customers. Freight costs rose by 38.4% from SAR 6.1 million in 2011 to SAR 8.5 million in 2012 as a result of higher sales, especially exports.

Freight costs increased 20.3% from SAR 8.5 million in 2012 to SAR 10.2 million in 2013 as a result of the increase in sales and freight rates received by the freight companies.

Cost of Royalties

Royalties reflect the amounts paid to the companies that own the trademarks in consideration of the technical support to the sales of transformers and switchgears. Royalties increased 21.4% from SAR 6.7 million in 2011 to SAR 8.2 million in 2012 as a result of higher sales of switchgears, distribution transformers and power transformers.

In 2013, royalties increased 4.5% from SAR 8.2 million in 2012 to SAR 8.5 million in 2013 due to the increase in the sales of distribution transformers, power transformers, and switchgears sold in 2013 compared to 2012.

Costs of Promotion and Advertising

The costs of promotion and advertising are mainly related to the commissions paid to the sales agents on the sales of products and the costs of participation in exhibitions and events, as well as the other expenses of promotion and advertising. Expenses of promotion and advertising increased 56.4% from SAR 2.8 million in 2011 to SAR 4.4 million in 2012 as a result of the increase in export-related sales commissions and in expenses of promotion and expenses related to the Company's initiative to raise the awareness of its trademark through sponsorship and presence in the exhibitions specialized in its business activity within and outside KSA.

In 2013, expenses declined 89.9% from SAR 4.4 million in 2012 to SAR 0.5 million as a result of the reclassification of sales commissions under other selling and distribution expenses (sales commissions were not reclassified under other selling and distribution expenses for the previous financial years).

Technical Warranty

Technical warranty represents the provisions for expected maintenance and after-sale services. The warranty provision is calculated as 0.25% of the sales of the past 24 months and is included in the balance sheet. Any difference in the provisions of balance sheets among reporting periods is recorded under the selling and distribution expenses.

Provisions for technical warranty dropped 53.4% from SAR 4.1 million in 2011 to SAR 1.9 million in 2012, as the Company has purchased materials for existing projects to cover the warranty period. After the expiry of the warranty period, these materials were exceptionally added, as a precautionary action, to the cost of provision for technical warranty in 2011. The provision for technical warranty increased 56.1% from SAR 1.9 million in 212 to SAR 3.0 million in 2013 as a result of an increase in sales during the year.

Provisions for Doubtful Debts

Provisions for doubtful debts dropped 130.6% from SAR 2.4 million in 2011 to SAR 0.7 million in 2012 as a result of the improvement in the collection of receivables, which led to a reversal of the accounting entry for the doubtful debt provision.

EIC established a new function for the receivables and credit monitoring to supervise enhancing the collection of receivables and applying the credit policies approved for the new and existing clients. The amount reversed in the provisions for doubtful debts dropped 324.3% from SAR 0.7 million in 2012 to SAR 3.2 million in 2013 as a result of the reversal of provisions for doubtful debts after collecting the due receivables.

Other Expenses

Other expenses included the expenses of promotion and advertising (it is worth mentioning that most of promotion and advertising expenses were reclassified by the chartered accountant, as they were included in promotion and advertising expenses), sales commissions and other miscellaneous expenses related to the sales and marketing department. Other expenses marginally declined 2.4% from SAR 4.2 million in 2011 to SAR 4 million in 2012.

In 2013, other expenses increased 58.7% from SAR 6.4 million in 2012 to SAR 4 million due to the reclassification of sales commissions from promotion and advertising expenses to other expenses.

6.5.5 General and Administrative Expenses

Table 6-12: General and administrative expenses for the financial years from 2011 to 2013

SAR 000 (Rounded Figures)	2011	2012	2013	Change % 2011-2012	Change % 2012-2013	CAGR 2011-2013
Staff Costs	18,174	24,092	29,445	32.6%	22.2%	27.3%
Office Costs	2,517	3,680	7,559	46.2%	105.4%	73.3%
Depreciation	2,443	2,544	4,370	4.1%	71.8%	33.7%
Other	5,887	5,420	5,143	(7.9%)	(5.1%)	(6.5%)
Total	29,022	35,736	46,517	23.1%	30.2%	26.6%

Source: Audited Consolidated Financial Statements

General and administrative expenses mainly comprise staff costs, office expenses, depreciation and other expenses related to the functions of the Company's administrative affairs.

Staff Costs

Staff costs mainly comprise the salaries and privileges of the staff of administrative affairs, as well as the remunerations of the executive committees. The staff costs increased 32.6% from SAR 18.2 million in 2011 to SAR 24.1 million in 2012, mainly due to the commencement of remuneration granting to the board committees for 2011 and 2012 (SAR 2.2 million), as the Company had not granted remunerations for such committees before 2011. In addition, the number of administrative staff increased by 14 employees (SAR 2.2 million) recruited by SPTC incorporated recently. The staff costs were also impacted by the annual pay increase of 5% for all employees and the appointment of the Human Resources Head Deputy in 2012.

In 2013, staff costs rose by 22.2% from SAR 24.1 million in 2012 to SAR 29.4 million in 2013, mainly due to the increase of salaries of some executive managers and the annual increase of staff costs on account of the employment of new employees by SPTC, whose costs amount to SAR 4 million.

Office Costs

Office costs mainly comprise printing and stationery expenses, as well as IT and insurance costs. Office costs increased 46.2% from SAR 2.5 million in 2011 to SAR 3.7 million in 2012 on account of the increase in licenses related to the IT systems, software and higher printing expenses.

Office expenses rose by 105.4% from SAR 3.7 million in 2012 to SAR 7.6 million in 2013, mainly due to the increase of SAR 1 million in office expenses of SPTC, and the increase of SAR 1.3 million in the foreign services, photocopiers and costs of subscriptions (including costs of subscription to employment websites, internal audit standards and telephone invoices).

Depreciation Expenses

Depreciation expenses marginally increased 4.1% from SAR 2.4 million in 2011 to SAR 2.5 million in 2012. They also increased 71.8% from SAR 2.5 million in 2012 to SAR 4.4 million in 2013 on account of the purchase of machinery, property and equipment in 2013.

Other Expenses

Other expenses mainly include the expenses of repair, maintenance, training, consumables, leases, and other miscellaneous administrative expenses. Other expenses dropped 7.9% from SAR 5.9 million in 2012 to SAR 5.4 million in 2012 as a result of lower expenses of repair and maintenance.

Other expenses declined 5.1 from SAR 5.4 million in 2012 to SAR 5.1 million in 2013, as a result of further decline in expenses of repair and maintenance.

6.5.6 Other Income

Table 6-13: Other income for the financial years from 2011 to 2013

SAR 000 (Rounded Figures)	2011	2012	2013	Change % 2011-2012	Change % 2012-2013	CAGR 2011-2013
Profit/loss on Fixed Assets	-	(22)	99	-	550.0%	-
Received Claims	-	-	4,181	-	-	-
Sales of Scrap	1,051	580	99	(44.8%)	(82.9%)	(69.3%)
Income on Commissions Received	101	990	-	(880.2%)	-	-
Total	1,152	1,548	4,379	34.4%	182.9%	95.0%

Source: EIC

Other income mainly represents the financial income (profit from foreign exchange and fixed cost of financing through finance-related hedging), and the sale of machinery and equipment. It is worth mentioning that all financing cost-related hedging processes were completed by the end of the first quarter of 2014.

In 2012, other income remained unchanged compared to 2011, while it skyrocketed 182.9% from SAR 1.5 million in 2012 to SAR 4.4 million in 2013, mainly due to the insurance claims of SAR 4.2 million delivered for a fire incident in a sub-warehouse and a back-up painting line connected to Transformer Plant No. 4 in 2011. The compensation amount fully covered the damage caused by the fire incident.

6.5.7 Financial Charges

Table 6-14: Financial charges for the financial years from 2011 to 2013

SAR 000 (Rounded Figures)	2011	2012	2013	Change % 2011-2012	Change % 2012-2013	CAGR 2011-2013
Bank Fees	2,427	1,906	2,687	(21.5%)	41.0%	5.2%
Borrowing Costs	7,922	6,270	8,492	(20.9%)	35.5%	3.5%
Total	10,349	8,175	11,180	(21.0%)	36.8%	3.9%

Source: EIC

Financial charges include the bank fees and the borrowing costs with regards to short- and long-term loans.

Bank Fees

Bank fees declined 21.5% from SAR 2.4 million in 20111 to SAR 1.9 million in 2012, on account of the decrease in the utilization of letters of credit. However, bank fees rose by 41% from SAR 1.9 million in 2012 to SAR 2.7 million in 2013 due to the increase in the utilization of letters of credit and letters of guarantee throughout the year.

Borrowing Costs

Borrowing costs declined 20.9% from SAR 7.9 million in 2011 to SAR 6.3 million in 2012 as a result of lower interest rates and the decrease in the utilization of short- and long-term loans during the year. Borrowing costs rose 35.5% from SAR 6.3 million in 2012 to SAR 8.5 million in 2013, mainly due to the increase in the utilization of short-term loans at the end of 2012, and the increase in the utilization of long-term loans during 2013.

6.5.8 Losses from Associates

Losses from associates are related to CG Arabia Company. EIC owns 49% in CG Arabia and calculates its share using the shareholders' equity method. The increase of 476.3% in the losses from associates from SAR 0.2 million in 2011 to SAR 1 million in 2012 resulted from the increase in costs of CG Arabia during the year, as it has not performed business activities in 2012.

The decrease of 43.5% in the losses from associates from SAR 1 million in 2012 to SAR 0.6 million in 2013 resulted from the lower losses made by CG Arabia, as it started up operations in 2013 and consequently made sales in 2013 that mitigated losses during the year.

6.5.9 Non-controlling Interest in Profit/Losses

Non-controlling interest in profit/losses is related to SPTC in which EIC owns 51%, while the 49% remaining share is owned by CG Power. Non-controlling interest in profit/losses increased 280.9% from SAR 0.3 million in 2011 to SAR 1.3 million in 2012 due to the increase in losses made by SPTC, which was reflected in the interest of CG Power. In 2013, non-controlling interest in profit/losses increased by 661.4% from SAR 1.3 million in 2012 to SAR 10.1 million in 2013 as a result of the increase in losses made by SPTC which was reflected in the interest of CG Power, as the company started up operations in 2013 to make a net loss of SAR 21 million.

6.5.10 Zakat and Income Tax

Table 6-15: Zakat and Income Tax for Financial Years 2011-2013

SAR 000 (Rounded Figures)	2011	2012	2013	% Change 2011-2012	% Change 2012-2013	CAGR 2011-2013
Jan. 1 Balance (beginning of period)	14,937	12,743	9,451	(%14.7)	(%25.8)	(20.5%)
Provision for the year	8,976	8,330	17,972	(%7.2)	%115.8	41.5%
Paid during the year	(11,170)	(11,622)	(10,979)	%4.0	(%5.5)	(0.9%)
Dec. 31 Balance (end of period)	12,743	9,451	16,444	(%25.8)	%74.0	%13.6

Source: Audited Consolidated Financial Statements

The Company is subject to the regulations of the Department of Zakat and Income, and Zakat and income tax are paid under these regulations. The Zakat was calculated and Zakat returns were submitted separately for each of the subsidiaries and associates of the Company until 2012. As of the year 2013, EIC began to submit a consolidated Zakat return for EIC and its wholly owned subsidiaries, namely STC and WESCOSA. The Company paid the Zakat owed for 2013 and received a Zakat Certificate for 2013.

Electrical Industries Company (EIC)

The final assessment of EIC by the Department of Zakat and Income for 2008 to 2010 was received. The Company's Zakat and income tax returns for 2011 and 2012 were submitted to the Department of Zakat and Income and are still under review, pending final assessment.

Saudi Transformers Company (STC)

The Department of Zakat and Income submitted its final assessment of STC for 2000 and 2001 and ordered STC to pay an additional Zakat obligation of SAR 351,000. The Department of Zakat and Income submitted its final assessment of STC for 2002 and ordered STC to pay an additional Zakat obligation of SAR 316,000. The Department of Zakat and Income submitted its final assessment of STC for 2003 and 2004 and ordered STC to pay an additional Zakat obligation of SAR 376,000. STC challenged this assessment for 2003 and 2004, and the challenge has not been decided on as of the date of this Prospectus. The final assessment for 2005-2013 remains under review by the Department of Zakat and Income.

It is worth mentioning that the Department of Zakat and Income ordered STC during 2014 to pay a tax on capital gains for 2001 amounting to SAR 2.7 million, resulting from the sale of Pauwels's 19% share in STC to Saudi shareholders, which tax obligation was satisfied in full. In 2002, the Department of Zakat and Income ordered STC to pay a tax on technical expertise rights provided by Pauwels plus delay penalties, amounting to SAR 439,000. STC filed a complaint regarding the method of calculating this tax and delay penalties, and made appeal before the Supreme Appeal Committee. This appeal has not been decided upon as of the date of this Prospectus.

The Department of Zakat and Income ordered STC to pay a tax on royalties of technical expertise provided by Pauwels plus delay penalties, amounting to SAR 625,000 for 2003 and 2004. STC filed a complaint regarding the method of calculating this tax and delay penalties, and made appeal before the Supreme Appeal Committee. The appeal has not been decided upon as of the date of this Prospectus. It is worth mentioning that when filing the complaint, the Company submitted to the Department of Zakat and Income a bank guarantee for the full amount of penalties (SAR 625,000), and this amount was calculated under the Company's provisions.

Wahah Electric Supply Company of Saudi Arabia (WESCOSA)

The final assessment of WESCOSA, from its inception until the year 2005, was received. WESCOSA did not receive its final assessment for 2006-2013. The Department of Zakat and Income is currently reviewing the final assessment for 2006-2010 as it requested some information about this period, and the required data were provided to it. The Zakat returns for 2006-2013 were submitted, the payable Zakat was paid, and the Zakat Certificates for these years were received.

Saudi Power Transformers Company Ltd. (SPTC)

SPTC's Zakat and income tax returns for the years 2011, 2012 and 2013 were submitted to the Department of Zakat and Income and are still under review. The Zakat Certificates for these years were received.

In 2012, the Zakat Provision decreased by 7.2% (from SAR 9 million in 2011 to SAR 8.3 million in 2012) due to a decrease in the year's net income. In 2013, the Zakat Provision increased by 115.8% (from SAR 8.3 million in 2012 to SAR 18 million in 2013) due to an increase in net income after an increase in sales and gross profit margins during the year.

6.5.11 Net Income

Net income declined 4.9% from SAR 113.7 million in 2011 to SAR 108.1 million in 2012, mainly due to lower profit margins on account of the decrease in average selling prices of transformers per MVA from SAR 87.8 thousand in 2011 to SAR 81.1 thousand in 2012 as a result of the penetration by a new competitor and higher operating expenses in 2012.

In 2013, net income increased 53.5% from SAR 108.1 million in 2012 to SAR 166 million in 2013, mainly due to the improved gross profit margin of the Company, especially the profit margins of transformers (on account of higher selling prices compared to 2012), and power switchgears as well as higher profit margins from oil and gas projects.

6.6 Statement of Financial Position

Table 6-16: Statement of financial position for the financial years from 2011 to 2013

SAR 000 (Rounded Figures)	2011	2012	2013	Change % 2011-2012	Change % 2012-2013
Current Assets					
Dues from Banks and Cash	23,936	57,121	35,627	138.6%	(%37.6)
Receivables and Payments in Advance	330,343	451,068	426,561	%36.5	(%5.4)
Inventory	427,770	480,632	433,303	%12.4	(%9.8)
Total Current Assets	782,049	988,821	895,491	%26.4%	(%9.4)

SAR 000 (Rounded Figures)	2011	2012	2013	Change % 2011-2012	Change % 2012-2013
Non-current Assets					
Investment in Associate	5,345	4,379	3,834	(%18.1)	(%12.4)
PP&E	144,245	249,131	306,466	%72.7	%23.0
Intangible Assets	-	4,500	7,200	-	%60.0
Total Non-current Assets	149,590	258,010	317,500	%72.5	%23.1
Total Assets	931,640	1,246,831	1,212,991	%33.8	(%2.7)
Liabilities, Shareholders' Equity and Non-controlling Equity					
Current Liabilities					
Payables, Notes Payable and Due Amounts	189,826	268,683	261,600	%41.5	(%2.6)
Provisions for Guarantees and Punitive Compensations	25,972	24,274	10,995	(%6.5)	(%54.7)
Short-term Loans	132,626	363,941	83,000	174.4%	(%77.2)
Current Portion of Long-term Loans	-	-	22,925	-	
Zakat Provisions	12,743	9,451	16,444	(%25.8)	%74.0
Total Current Liabilities	361,167	666,349	394,964	%84.5	(%40.7)
Non-current Liabilities					
Long-term Loans	-	27,185	219,265	-	%706.6
End of Service Gratuity for Staff	43,419	48,114	54,713	%10.8	%13.7
Total Non-current Liabilities	43,419	75,299	273,978	73.4%	%263.9
Total Liabilities	404,586	741,649	668,942	%83.3	(%9.8)
Company's Shareholders' Equity					
Capital	350,000	350,000	350,000	-	-
Proposed Capital Increase	-	-	100,000	-	-
Statutory Reserve	12,370	23,185	9,781	%87.4	(%57.8)
Retained Earnings	24,008	64,878	46,395	170.2%	(%28.5)
Proposed Dividend Payout	130,000	54,000	35,000	(58.5%)	(%35.2)
Total Shareholders' Equity	516,378	492,063	541,176	(%4.7)	(%10.0)
Non-controlling Equity	10,676	13,119	2,873	%22.9	(78.1%)
Total Shareholders' Equity and Non-controlling Equity	527,054	505,182	544,049	(%4.1)	%7.7
Total Liabilities and Shareholders' Equity	931,640	1,246,831	1,212,991	%33.8	(%2.7)

Source: Audited Consolidated Financial Statements

6.6.1 Cash and Cash Equivalent

Table 6-17: Cash and cash equivalent for the financial years from 2011 to 2013

SAR 000 (Rounded Figures)	2011	2012	2013	Change % 2011-2012	Change % 2012-2013
Cash and Cash Equivalent	23,936	57,121	35,627	138.6%	(37.6%)
% of Sales	2.5%	5.4%	2.8%		

Source: Audited Consolidated Financial Statements

Cash balances represent cash at banks and at EIC's head office, factories and branches. Cash and cash equivalent rose 138.6% from SAR 23.9 million in 2011 to SAR 57.1 million in 2012. This is mainly due to the increase in collected amounts at the end of 2012, as the Company recovered SAR 20.5 million from SEC, SAR 7 million from the Kuwaiti Ministry of Electricity and Water, and around SAR 20 million from other clients.

In 2013, cash and cash equivalent declined 37.6% from SAR 57.1 million in 2012 to SAR 35.6 million, as the management utilized the cash surplus at the year-end in the accelerated payment of short-term loans of SAR 14 million without bearing any penalties.

6.6.2 Operating Working Capital

Table 6-18: Operating working capital for the financial years from 2011 to 2013

SAR 000 (Rounded Figures)	2011	2012	2013	Change % 2011-2012	Change % 2012-2013
Trade Receivables, Net	280,344	406,097	374,515	%44.9	(%7.8)
Advances to Suppliers	12,056	21,002	20,593	%74.2	(%1.9)
Prepaid Expenses	2,150	5,182	7,909	%141.0	%52.6
Due from Shareholders	2,644	3,547	4,447	%34.2	%25.4
Due from Related Parties	23,087	3,198	7,563	(%86.1)	%136.5
Other Receivables	10,062	12,041	11,534	%19.7	(%4.2)
Inventory	427,770	480,632	433,303	%12.4	(%9.8)
Total Current Operating Assets	758,113	931,700	859,864	22.9%	(%7.7)
Trade Payables	86,704	139,652	109,941	61.1%	(21.3%)
Advances from Customers Accrued	38,388	51,947	40,519	35.3%	(22.0%)
Expenses and other Payables	28,095	41,759	56,255	48.6%	34.7%
Notes Payable	36,613	28,322	42,894	(22.6%)	51.5%
Due to Affiliates	26	7,003	11,992	26,834.6%	71.2%
Provisions for Guarantees and Punitive Compensations	25,972	24,274	10,995	(6.5%)	(54.7%)
Total Current Operating Liabilities	215,798	292,957	272,595	35.8%	(7.0%)
Operating Working Capital	542,315	638,742	587,269	17.8%	(8.1%)

Source: Audited Consolidated Financial Statements, The Company

The operating working capital comprises trade receivables net of provisions for doubtful debts, advances to suppliers, prepaid expenses, dues from shareholders, dues from related parties, other receivables, inventory, trade payables, payments in advance by clients, due expenses and other payables, notes payable, due to affiliates, and provisions for guarantees and punitive compensations. In 2012, operating working capital rose by 17.8% from SAR 542.3 million in 2011 to SAR 638.7 million in 2012, mainly due to the increase in trade receivables and inventory as a result of the growth in business volume.

In 2013, operating working capital decline 8.1% from SAR 638.7 million in 2012 to SAR 587.3 million in 2013, mainly due to the decrease in trade receivables in light of the improvement in collections from key clients; specifically, SEC, in addition to the decline in the inventory on account of the available inventory volumes.

6.6.2.1 Trade Receivables and Others

Table 6-19: Trade Receivables and Others for Financial years from 2011 to 2013

SAR 000 (Rounded Figures)	2011	2012	2013	% Change 2011-2012	% Change 2012-2013
Trade Receivables, Net	280,344	406,097	374,515	44.9%	(7.8%)
Advances to suppliers	12,056	21,002	20,593	74.2%	(1.9%)
Prepaid Expenses	2,150	5,182	7,909	141.0%	52.6%
Dues by Affiliates	2,644	3,547	4,447	34.2%	25.4%
Due from Related Parties	23,087	3,198	7,563	(1.86%)	136.5%
Other Receivables	10,062	12,041	11,534	19.7%	(4.2%)
Total	330,343	451,068	426,561	36.5%	(5.4%)

Source: Audited Consolidated Financial Statements

Table 6-20: Ages of Trade Receivables for Financial years from 2011 to 2013

SAR 000 (Rounded Figures)	2011	% of Total	2012	% of Total	2013	% of Total
WESCOSA						
1-180 Days	229,605	86.6%	254,405	86.8%	222,875	91.9%
181-365 Days	9,764	3.7%	15,276	5.2%	2,330	1.0%
365-730 Days	5,914	2.2%	5,112	1.7%	1,924	0.8%
More than 730 days	19,854	7.5%	18,322	6.3%	15,337	6.3%
Total	265,137	100.0%	293,115	100.0%	242,466	100.0%
STC						
1-180 Days	73,802	95.8%	145,125	97.4%	148,385	98.2%
181-365 Days	299	0.4%	1,699	1.1%	1,285	0.9%
365-730 Days	480	0.6%	67	0.04%	66	0.04%
More than 730 days	2,463	3.2%	2,166	1.5%	1,371	0.9%
Total	77,044	100.0%	149,057	100.0%	151,107	100.0%
Due from Related Parties	(45,985)		(21,244)		(7,405)	
Total*	296,195		420,928		386,168	
Days sales outstanding	129		134		125	

Source: EIC

* The total above does not include the Provision for Doubtful Debts

The trade receivables and others mainly represent trade receivables, advances to suppliers, prepaid expenses, dues by affiliates, due from Related Parties, and other receivables.

Trade Receivables

The trade receivables represents the accounts of commercial customers, net of provision for doubtful debts. Because of the diverse nature of the Company's activities and customer segments, the Company periodically examines the status of current trade receivables based on the analysis of receivables' ages. The Company creates a 100% provision for the debts that have not been collected after more than two years for all commercial clients. The doubtful debts are written off on a case-by-case basis after obtaining the approval of the Board of Directors. The accounting entry of this provision can be reversed in case of final repayment of the related debt.

The days sales outstanding range from 60 to 90 days; however, the payment terms for export customers and contractors may reach up to 120 days. The management adopts the policy of recognition of the provision for doubtful debts regarding any amounts due for more than six months. According to the doubtful debt policy adopted by the Company and its subsidiaries, the provision for doubtful debts is calculated as follows:

(1) 6-12 months: 2% provision (except for state-owned companies, including the Saudi Electricity Company, as well as Saudi Aramco's contractors, the oil and gas sector, and SABIC's contractors);
(2) 1-2 years: 10% provision (except for state-owned companies, including the Saudi Electricity Company, as well as Saudi Aramco's contractors, the oil and gas sector, and SABIC's contractors);
(3) More than two years: 100% provision for all trade receivables including state-owned companies.

The trade receivables increased by 44.9% from SAR 280.3 million in 2011 to SAR 406.1 million in 2012 mainly due to the increase in sales during the last quarter of 2012, which was the highest with a total of SAR 100.2 million compared to the same period of 2011. The days sales outstanding increased in 2012 from 129 days in 2011 to 134 days in 2012 due to increased sales of low- and medium-voltage power switchgears in the last quarter of 2012, whose days sales outstanding are higher than the rest of products.

The trade receivables decreased by 7.8% from SAR 406.1 million in 2012 to SAR 374.5 million in 2013 mainly due to an increase in the Company's sales to the Saudi Electricity Company, which increased from 39.2% in 2012 to 48.8% in 2013 as a percentage of the Company's total sales. The days sales outstanding decreased from 134 days in 2012 to 125 in 2013 days, because the Company created the Debtor and Credit Control Department to monitor the improvement of the collection of receivables and the application of more stringent credit policies to new and existing clients.

The decline in trade receivables in 2013 resulted from the good financial flow resulting from Saudi Aramco's Sadara Project, which amounted to SAR 110.4 million.

The advance payments made in by clients are entered as liabilities under the item prepayments by clients, and are recorded as payables to the account of trade receivables at the issuance of final bills as soon as the finished goods are shipped.

The provision for doubtful debts decreased by 6.8%, from SAR 15.8 million in 2011 to SAR 14.8 million in 2012, due to the collection of overdue accounts receivable during the year.

The provision for doubtful debts decreased by another 27.6%, from SAR 14.8 million in 2012 to SAR 11.6 million in 2013, due to the collection of SAR 3.1 million of doubtful debts during the 2013 as a result of the improved performance of the Accounts Department by tightening the credit control policy and following up on the old projects' documents, in addition to the improvement of relations with clients.

Advances to Suppliers

Advances to suppliers represent payments made in advance by the Company for purchases of raw materials and machinery. A supplier who cannot sell on credit generally requires receiving an advance payment.

Advances to suppliers increased by 74.2% in 2012 from SAR 12.1 million in 2011 to SAR 21 million in 2012 due to an increase in purchases of machinery with respect to SPTC, cable tray plant, and new transformer plant (Plant 3). Advances to suppliers remained relatively stable during 2013.

Prepaid Expenses

The prepaid expenses represents the advance insurance premiums, building rents, and advance commissions on cost of funding. The prepaid expenses increased by 141% from SAR 2.1 million in 2011 to SAR 5.2 million in 2012 due to an increase in advance insurance premiums after making a change to the Company's insurance policy to cover the assets according to their replacement costs (market prices). In the past, the assets were covered by insurance based on their net book value. In addition, the advance medical insurance premiums increased in proportion to the increase in workforce.

The prepaid expenses increased by 52.6% in 2013, from SAR 5.2 million in 2012 to SAR 7.9 million in 2013, due to an increase in advance housing rents and advance medical insurance premiums in proportion to the increase in the number of employees and for the purposes of compliance with the Labor Law that requires the provision of housing for permanent employees.

Due from Shareholders

Due from shareholders represent the expenses of the Company's making of the IPO, which the Company paid on behalf of the selling shareholders. The shareholders will settle these amounts upon receipt of IPO proceeds. Due from shareholders increased by 34.2% in 2012 from SAR 2.6 million in 2011 to SAR 3.5 million in 2012 due to an increase in the expenses of the Company's making of the IPO. Moreover, due from shareholders increased by 25.4% in 2013 from SAR 3.5 million in 2012 to SAR 4.4 million in 2013 due to another increase in the expenses of the Company's making of the IPO.

Due from Related Parties

Dues from related parties decreased by 86.1% from SAR 23.1 million in 2011 to SAR 3.2 million in 2012 due to the collection of amounts due from Al-Toukhi Establishment for Industry and Trading, Al-Quraishi Electrical Services Of Saudi Arabia (AQESA), and CG Arabia Company.

The increase in due from Related Parties in 2013, which amounted to 136.5%, from SAR 3.2 million in 2012 to SAR 7.6 million in 2013, resulted from an increase in sales and services provided to related parties.

The Company stresses that all operations with the related parties are on a purely commercial basis. For more details about the transactions with the related parties, kindly refer to Section (13-3) herein titled "Contracts and Dealings with Related Parties".

Other Receivables

The balance of other receivables consists of refundable customs duties, advances to employees, receivable insurance claims, and other miscellaneous receivables.

Other receivables increased by 19.7% in 2012, from SAR 10 million in 2011 to SAR 12 million in 2012, due to increasing claims for reimbursement of customs duties, which resulted from the delay in the issuance of customs exemption by Ministry of Trade and Industry. The decrease in other receivables by 4.2% in 2013, from SAR 12 million in 2012 to SAR 11.5 million in 2013, resulted from the partial settlement of an insurance claim of a fire in a sub-warehouse and a backup painting line connected to Transformer Plant 4, which took place in 2011, as compensation is being received in batches.

It is worth mentioning that customs exemption is renewed once every 5 years. During renewal period, the customs duties for exempted materials are paid in cash and linked to insurance, and then a request for exemption is made after obtaining the approval of the Ministry of Industry and Trade on the new exemption.

Inventory

Table 6-21: Stock for Financial years from 2011 to 2013

SAR 000 (Rounded Figures)	2011	2012	2013	% Change 2011-2012	% Change 2012-2013
Raw Materials	254,203	269,804	288,543	6.1%	6.9%
Goods in Transit	58,413	64,117	65,616	9.8%	2.3%
Goods in Process	72,729	102,811	62,441	41.4%	(39.3%)
Finished Goods	49,205	47,244	21,819	(4.0%)	(53.8%)
Parts and Consumables	12,522	13,513	14,596	7.9%	8.0%
Total Inventory	447,072	497,488	453,015	11.3%	(8.9%)
Slow Moving Inventory Provision	(19,302)	(16,856)	(19,712)	(12.7%)	16.9%
Net Inventory	427,770	480,632	433,303	12.4%	(9.8%)

Source: Audited Consolidated Financial Statements

Table 6-22: Ages of Inventory (Raw Materials) for Financial years from 2011 to 2013

SAR 000 (Rounded Figures)	2011	% of Total	2012	% of Total	2013	% of Total
1-180 Days	162,131	63.8%	168,097	62.3%	189,848	65.8%
181-365 Days	24,940	9.8%	36,198	13.4%	31,244	10.8%
365-730 Days	20,249	8.0%	16,050	5.9%	26,107	9.0%
More than 730 days	46,884	18.4%	49,459	18.3%	41,344	14.3%
Total*	254,204	100.0%	269,804	100.0%	288,543	100.0%
Days of Storing the Inventory	196		192		164	

Source: EIC

* Note: the above total includes the inventory of the raw materials

The inventory consists of raw materials, goods in transit, goods in process, finished goods, and parts and consumables, net of the slow moving inventory provision.

The inventory is valued based on the cost or market value, whichever is lower. The value of the inventory is calculated based on the weighted average of cost. Goods in process represent the cost of direct materials, labor and general manufacturing expenses.

Raw Materials

The raw materials represent the copper, ferrosilicon and other materials used in manufacturing the products of the subsidiaries of the Company and the associate company. The increase in raw materials by 6.1% in 2012, from SAR 254.2 million in 2011 to SAR 269.8 million in 2012, resulted from the accumulation of inventory during 2012 because of the increased sales and some delayed orders.

The main reason for the increase in raw materials by 6.9% in 2013, from SAR 269.8 million in 2012 to SAR 288.5 million in 2013, was the purchase of raw materials for STC's new transformer plant that started commercial production in April 2013.

Goods in Transit

Goods in transit represent the raw materials that have been purchased and shipped but not yet received by the Company. The increase in goods in transit by 9.8% in 2012, from SAR 58.4 million in 2011 to SAR 64.1 million in 2012, resulted from ordering raw materials to meet the increase in sales and a portion of the raw materials for the new transformer plant.

The goods in transit remained stable during 2013 as a result of the Management's efforts to improve inventory management and reduce inventory quantities.

Goods in Process

Goods in process increased by 41.4% in 2012, from SAR 72.7 million in 2011 to SAR 102.8 million in 2012, due to a delay in the delivery of purchase orders of transformers for the Kuwaiti Ministry of Electricity and Water and a delay in the delivery of projects of power switchgears and cable tray to contractors of Saudi Aramco and the oil and gas sector.

The decrease in goods in process by 39.3% in 2013, from SAR 102.8 million in 2012 to SAR 62.4 million in 2013, resulted from the delivery of large quantities of power switchgears and transformers to the Kuwaiti Ministry of Electricity and Water, whose purchase orders were in delay in 2012. The amount of goods in process depends on the type and amount of products, which vary depending on the purchase orders that EIC handles upon receipt.

Finished Goods

The balance of finished goods decreased by 4.0% in 2012, from SAR 49.2 million in 2011 to SAR 47.2 million in 2012, due to the delivery of power switchgears to oil and gas projects and industrial projects relating to the year 2011.

The balance of finished goods decreased by 53.8% in 2013, from SAR 47.2 million in 2012 to SAR 21.9 million in 2013, due to the delivery of power switchgears to oil and gas projects and industrial projects as well as transformers to the Kuwaiti Ministry of Electricity and Water relating to the year 2012.

Slow Moving Inventory Provision

The slow moving inventory provision is reviewed on an annual basis and is calculated as follows:

- A 100% provision is allocated to unusable materials;
- A 10.0% provision is allocated to materials expected to be used for one year (except copper and ferrosilicon);
- As for materials expected to be used for more than one year, a 15.0% provision is allocated to copper and ferrosilicon, and a 50.0% provision to other materials.

The days of storing the inventory remained generally stable between financial years 2011 and 2012 (196 days in 2011 compared to 192 days in 2012). This decrease resulted from increased sales and the Company's use of existing inventory instead of buying new materials. The days of storing the inventory decreased from 192 days in 2012 to 164 days in 2013, mainly due to the delivery of large quantities of goods that had been manufactured during 2012.

The slow moving inventory provision decreased by 12.7% from SAR 19.3 million in 2011 to SAR 16.9 million in 2012 due to the reverse of a portion of the provision because of the use or sale of certain slow-moving inventory items during the year.

The slow moving inventory provision increased by 16.9% in 2013, from SAR 16.9 million in 2012 to SAR 19.7 million in 2013, due to the gradual increase of the provision during 2013, as the Design Department conducts an annual review of the slow moving materials. According to the Company's policy of calculating the provision and the results of the review, the slow moving inventory provision was increased. It is worth mentioning that the slow-moving inventory exceeding 730 days are covered by provisions representing 50% of the value of this inventory as noted in Tables 6-21 and 6-22. In addition, the slow-moving inventory mainly comprises usable raw materials (e.g., ferrosilicon, copper, insulators and circuit breakers) the Company can utilize in the manufacture of transformers and power switchgears after making some changes in the relevant designs. Due to the high demand for the Company's products during the three previous years (i.e. 2011, 2012 and 2013) and the Company's keenness on the optimal utilization of production capacity, these materials were not used as the change in designs require more time.

6.6.2.2 Current Liabilities

Table 6-23: Trade and Other Payables for Financial years from 2011 to 2013

SAR 000 (Rounded Figures)	2011	2012	2013	% Change 2011-2012	% Change 2012-2013
Trade Payables	86,704	139,652	109,941	61.1%	(21.3%)
Prepayments by Clients	38,388	51,947	40,519	35.3%	(22.0%)
Due Expenses and other Payables	28,095	41,759	56,255	48.6%	34.7%
Notes Payable	36,613	28,322	42,894	(22.6%)	51.5%
Due to Affiliates	26	7,003	11,992	26,834.6%	71.2%
Total	189,826	268,683	261,600	41.5%	(2.6%)

Source: Audited Consolidated Financial Statements

Trade Payables

The trade payables mainly represent the amounts owed to suppliers of raw materials, plus the sale tax on the shares of Pauwels since 2001, amounting to SAR 3.9 million. It is worth mentioning that the Department of Zakat ordered the Company to pay a tax of SAR 2.7 million during 2014, which was paid during 2014.

The balance of trade payables increased by 61.1% in 2012, from SAR 86.7 million in 2011 to SAR 139.7 million in 2012, due to an increase in purchases of raw materials at the end of the year, which were ordered to cover increased sales and some delayed orders.

The balance of trade payables decreased by 21.3% in 2013, from SAR 139.7 million in 2012 to SAR 109.9 million in 2013, due to a decline in purchases during the year, as a large quantity of raw materials was purchased in advance to take advantage of the relatively low prices. The credit terms granted to the Company range from 60 to 90 days on average.

The maturity days of payables increased in 2012, from 88 days in 2011 to 97 days in 2012, due to an increase of purchases in late 2012 resulting from increased sales and some delayed orders that were delivered in 2013. The maturity days of payables remained stable between financial years 2012 and 2013.

Prepayments by Clients

The prepayments by clients mainly represent the payments that are collected from clients in advance of delivery of the products. Advance payments range from 10% to 20% of total sales value, and are collected from both domestic and overseas clients.

The prepayments by clients increased by 35.3% from SAR 38.4 million in 2011 to SAR 51.9 million in 2012 due to purchase orders that were received in 2012 and delivered in 2013.

The decline in prepayments by clients in 2013 by 22.0%, from SAR 51.9 million in 2012 to SAR 40.5 million in 2013, resulted from the Company's increased sales to the Saudi Electricity Company, which do not include any advance payments, as well as the Company's delivery of purchase orders issued in late 2012 from contractors of industrial projects, contractors of Saudi Aramco, and the oil and gas sector.

Due Expenses and other Payables

The due expenses and other payables represent the back pays, royalties, taxes on royalties, due office expenses, and accrued interest on loans. The balance of due expenses and other payables increased by 48.6% from SAR 28.1 million in 2011 to SAR 41.8 million in 2012 mainly due to the increased staff costs and royalties after the increase in sales of switchgears and transformers and the beginning of paying the fees payable to CG Power for the technical expertise provided to SPTC.

In 2013, the due expenses and other payables increased by 34.7% from SAR 41.8 million in 2012 to SAR 56.3 million in 2013, due to: (a) an increase in WESCOSA's royalties (SAR 4.5 million), (b) an increase in STC's royalties (SAR 11.5 million) in proportion to an increase in sales, and (c) an increase in the accrued expenses of SPTC, including the fees payable to CG Power for the technical expertise provided to SPTC.

Notes Payable

The notes payable represents short-term loans to finance imports against letters of credit. In 2012, the balance of notes payable decreased by 22.6%, from SAR 36.6 million in 2011 to SAR 28.3 million in 2012, as the Company was able to obtain credit terms from its suppliers for a longer period and, thus, reducing the need to finance the purchases by the refinancing of credits (notes payable).

In 2013, the balance of notes payable increased by 51.5% from SAR 28.3 million to SAR 42.9 million due to the financing of purchases of the new plant (i.e. Transformers Plant 3), which were brought from new suppliers who prefer to deal through documentary credits, resulting in increased balance of notes payable as the cost of funding for the re-financing of credits is less than the cost of short-term funding.

Due to Affiliates

The due to affiliates are the fees for technical assistance provided to SPTC by CG Power, as well as commercial transactions and services. It is worth mentioning that the total technical assistance fees agreed upon amount to SAR 7.5 million credited and paid in installments according to the phases of project completion, namely building and equipping the plant and passing the examination.

The balance increased by 26,834.6% in 2012, from SAR 26,000 in 2011 to SAR 7 million in 2012, due to recording a portion of the fees of technical assistance provided to SPTC by CG Power, in addition to purchases acquired from the same company.

In 2013, balance increased by 71.2% from SAR 7 million in 2012 to SAR 12 million in 2013 due to recording the remainder of the fees of technical assistance provided to SPTC by CG Power, in addition to purchases acquired from the same company and services provided by CG Arabia Company.

Technical Warranties and Punitive Compensations Provision

Table 6-24: Technical Warranties and Punitive Compensations Provision for the financial years from 2011 to 2013

SAR 000 (Rounded Figures)	2011	2012	2013	% Change 2011-2012	% Change 2012-2013
Provision for Technical Warranties	5,499	5,083	5,873	(7.6%)	15.5%
Provision for Punitive Compensations Relating to the Year 2005	16,491	12,810	924	(22.3%)	(92.8%)
Penalties Provision	3,983	6,381	4,199	60.2%	(34.2%)
Total	25,972	24,274	10,995	(6.5%)	(54.7%)

Source: EIC

Provision for Technical Warranties

The technical warranties include provision mainly representing the expected maintenances and after-sales services covered by the warranty. The provision is calculated as a percentage (0.25%) of the sales of the past twenty-four months. The provision for technical warranties marginally increased in the period 2011-2013, from SAR 5.5 million in 2011 to SAR 5.9 million in 2013, due to an increase in sales, especially power switchgears sales.

Provision for Punitive Compensations and Penalties of Delay in Handling Purchase Orders of Some Clients, with regard to the financial year 2005

In 2005, the prices of raw materials have changed dramatically in addition to the lack of some of them during the period of supply to customers. The Company expected high cost and delays in supply to customers and, therefore, this provision has been created to meet the additional costs and resulting penalties. Moreover, during this period, an alteration was made to the technical specifications of transformers. After the demise of the purpose for which this provision was created, a portion of the old raw materials and finished goods in this provision was gradually written off during the years 2012 and 2013.

In 2012, the provision for punitive compensations relating to the year 2005 increased by 22.3% from SAR 16.5 million in 2011 to SAR 12.8 million in 2012 due to the reversal of the accounting entry of some punitive compensations relating to purchase orders that were handled in 2005, as the Company sold a portion of this inventory as scrap during the year because the specifications did not match the terms of current purchase orders with the Saudi Electricity Company.

Also in 2013, the provision for punitive compensations increased by 92.8% from SAR 12.8 million in 2012 to SAR 0.9 million in 2013 mainly due to the reversal of the accounting entry of punitive compensations amounting to about SAR 11.9 million, which relate to purchase orders handled in 2005. The Management included the provision for punitive compensations in the inventory regarding the delay in the projects due to changes in the market prices of goods and the availability of inventory. Most of the provision was written off during 2013 because of the sale of inventory as scrap during the year, as the specifications did not match the terms of current purchase orders.

Penalties Provision

The Company follows precautionary measures by assessing expected penalties by purchase order and recording them while recording the sales. The penalties provision increased in 2012 by 60.2% from SAR 4 million in 2011 to SAR 6.4 million in 2012 due to a delay in the export of electrical transformers to the Kuwaiti Ministry of Electricity and Water.

The penalties provision decreased in 2013 by 34.2%, from SAR 6.4 million in 2012 to SAR 4.2 million in 2013, as it returned to normal after its reversal because the Company was exempted from the penalties resulting from delays in exports to Kuwait.

6.6.3 Zakat Provision

Table 6-25: Zakat Provision for Financial years from 2011 to 2013

SAR 000 (Rounded Figures)	2011	2012	2013	% Change 2011-2012	% Change 2012-2013
Jan. 1 Balance (beginning of period)	14,937	12,743	9,451	(14.7%)	(25.8%)
Provision for the year	8,976	8,329	17,972	(7.2%)	115.8%
Paid during the year	(11,170)	(11,622)	(10,979)	4.0%	(5.5%)
Dec. 31 Balance (end of period)	12,743	9,451	16,444	(25.8%)	74.0%

Source: Audited Consolidated Financial Statements

The Company is subject to Zakat and income tax according to the regulations of the Department of Zakat and Income, KSA. The amounts of Zakat are calculated based on the Zakat base, while income tax is calculated based on the net income after settlement. The balances during the relevant periods represent the unpaid accrued Zakat and income tax according to the regulations of the Department of Zakat and Income.

In 2012, the decrease in the balance of Zakat by 25.8%, from SAR 12.7 million in 2011 to SAR 9.4 million in 2012, resulted from the repayment of SAR 11.6 million to the Department of Zakat and Income, while the allocated value in 2012 amounted to SAR 8.3 million.

In 2013, the balance of Zakat increased by 74% from SAR 9.4 million in 2012 to SAR 16.4 million in 2013 as a result of a higher profitability accompanied by an increase in long-term loans which are part of the Zakat base. The retained earnings are the highest as in 2013, which are also subject to Zakat in 2013. The Zakat provision in 2013 is SAR 18 million, while the amount paid is SAR 11 million.

On 28 November 2012, the selling shareholders signed an unconditional, indefinite pledge to cover any Zakat or additional tax amounts that may arise from the Department of Zakat and Income's assessment of the following items:

1. Zakat on STC's short-term loans for the financial years 2007 and 2008
2. Zakat resulting from the merger between STC and WESCOSA in 2005
3. Zakat resulting from the restructuring and acquisition of EIC, STC and WESCOSA in 2010
4. Any Zakat resulting from the sale of the company's shares through the IPO
5. Any Zakat or additional tax for the years in which the Department of Zakat and Income did not issue a final assessment for STC and WESCOSA until the date of sale of the company's shares through the IPO

This pledge is only for the purposes of the above-mentioned items, and the selling shareholders shall not incur any liability for any other payments that may arise.

6.6.4 Non-Current Assets

Non-current assets mainly include PP&E, intangible assets, and investments in associate companies (i.e. associates).

The following table shows the related balances as at the end of financial years 2011, 2012 and 2013:

Table 6-26: Non-Current Assets for Financial years from 2011 to 2013

SAR 000 (Rounded Figures)	2011	2012	2013	% Change 2011-2012	% Change 2012-2013
PP&E	144,245	249,131	306,466	72.7%	23.0%
Intangible Assets	-	4,500	7,200	-	60.0%
Investments in Associate Companies (i.e. associates)	5,345	4,379	3,834	(18.1%)	(12.4%)
Total Non-Current Assets	149,590	258,010	317,500	72.5%	23.1%

Source: Audited Consolidated Financial Statements

The total non-current assets increased by 72.5% in 2012, from SAR 149.6 million in 2011 to SAR 258 million in 2012, as a result of investments in PP&E, mainly with regard to the new plant of SPTC, the cable tray plant of WESCOSA, and the expansion in the small power transformers plant of WESCOSA.

The non-current assets increased by 23.1% in 2013, from SAR 258 million in 2012 to SAR 317.5 million in 2013, as a result of increased investments in PP&E, mainly with regard to the completion of work in SPTC's new plant as well as the investments in the new distribution transformers plant and the new cable tray plant.

6.6.4.1 Property, Plant and Equipment (PP&E)

PP&E mainly include buildings, machinery, equipment, vehicles, furniture, freehold lands, and ongoing constructions.

The table below shows the change in PP&E for financial years 2012 and 2013:

Table 6-27: Change in PP&E for 2012

SAR 000 (Rounded Figures)	Jan. 1, 2012	Net Additions	Disposals	Transfers	Depreciation		Reclassification of Prior Years	Dec. 31, 2012
	Net Book Value				Charged to the year	Disposals		Net Book Value
Owned Lands	13,375	-	-	-	-	-	-	13,375
Buildings on Leased Lands and Improvements to Leased Buildings	79,205	-	-	7,560	(4,829)	-	10	81,945
Plant and Machinery	33,414	2	-	10,246	(8,037)	-	(45)	35,580
Furniture, Equipment and Vehicles	6,282	1,010	-	1,628	(2,104)	-	35	6,852
Ongoing Constructions	11,969	100,895	-	(19,434)	-	-	17,948	111,378
Total	144,245	101,908	(337)	-	(14,97)	(337)	17,948	249,131

Source: Audited Consolidated Financial Statements & the Company

It is worth mentioning that PP&E's balances as at the end of 2012, which are stated in the Company's 2012 audited consolidated financial statements, are not identical to PP&E's balances as at the beginning of 2013, which are stated in the Company's 2013 audited consolidated financial statements. The balances were altered at the beginning of 2013 to include SPTC's ongoing constructions amounting to SAR 17.9 million as detailed in the table above, which have not been recorded in 2012 financial statements as SPTC's financial statements have only been issued after the issuance of the Company's consolidated financial statements.

Table 6-28: Change in PP&E for 2013

SAR 000 (Rounded Figures)	Jan. 1, 2013	Net Additions	Disposals	Transfers	Depreciation		Dec. 31, 2013
	Net Book Value				Reclas-sification of Prior Years	Disposals	Net Book Value
Owned Lands	13,375	-	-	26,907	-	-	40,282
Buildings on Leased Lands and Improvements to Leased Buildings	81,945	17	-	58,770	5,768	-	134,964
Plant and Machinery	35,580	1,439	(3,471)	56,093	9,922	(3,340)	83,060
Furniture, Equipment and Vehicles	6,852	1,117	(168)	4,622	3,326	(168)	9,266
Ongoing Constructions	111,378	73,909	-	(146,392)	-	-	38,894
Total	249,131	76,482	(3,639)	-	(19,016)	(3,508)	306,466

Source: Audited Consolidated Financial Statements

Table 6-29: Change in PP&E's Net Book Value for financial years from 2011 to 2013

SAR 000 (Rounded Figures)	Dec. 2011	Dec. 2012	Dec. 2013	% Change 2011-2012	% Change 2012-2013
Owned Lands	13,375	13,375	40,282	-	201.2%
Buildings on Leased Lands and Improvements to Leased Buildings	79,205	81,945	134,964	3.5%	64.7%
Plant and Machinery	33,414	35,580	83,060	6.5%	133.4%
Furniture, Equipment and Vehicles	6,282	6,852	9,266	9.1%	35.2%
Ongoing Constructions	11,969	111,378	38,895	830.6%	(65.1%)
Total	144,245	249,131	306,466	72.7%	23.0%

Source: Audited Consolidated Financial Statements

Owned Lands

The owned lands in 2012 represent the value of a land purchased next to Dammam First Industrial City, which has been used as part of the Iron Center (SAR 3 million), a land in the Industrial Village to the west of the Military City, Dammam City (SAR 6.3 million), and a land in Khalidiya Area, Dammam (SAR 2.5 million).

In 2013, the owned lands increased by 201.2% from SAR 13.4 million in 2012 to 40.3 SAR million in 2013 due to the purchase of the land of Kairouan, Dammam City, next to the First Industrial City, in order to build workers' housing at a total value of SAR 27 million.

It is worth mentioning that the total book value of the Company-owned lands in 2012 is SAR 1.6 million, representing the cost of leveling the land leased in the Second Industrial City. The amount was reversed and recorded under the buildings account during Q1 of 2014.

Buildings on Leased Lands and Improvements to Leased Buildings

The net book value of the buildings on leased lands and improvements to leased buildings increased by 3.5% in 2012, from SAR 79.2 million in 2011 to SAR 81.9 million in 2012, mainly due to the completion of the construction of the Iron Center.

The net book value of the buildings on leased land and improvements to leased buildings also increased by 64.7%, from SAR 81.9 million in 2012 to SAR 134.9 million in 2013, mainly due to the completion of SPTC's plant, which started operating in February 2013. A portion of the costs of SPTC's plant was recorded as ongoing constructions in 2012, then the amount was reversed and recorded under the buildings account in 2013. Moreover, about SAR 6.7 million was transferred from ongoing constructions to buildings after the completion of the new distribution transformers plant and the cable tray plant, which both started operating during Q1 of 2013.

Plant and Machinery

The net book value of plant and machinery increased by 6.5% in 2012, from SAR 33.4 million to SAR 35.6 million, mainly due to the completion of the expansion of the Iron Center.

The net book value of plant and machinery increased by 133.4% from SAR 35.5 million in 2012 to SAR 83.1 million in 2013, mainly due to the transfer of SAR 56 million from ongoing constructions to plant and machinery, most of which related to the construction cost of SPTC's new plant amounting to SAR 40.5 million, the plant and machinery of the new distribution transformers plant at a cost of SAR 9.0 million, and the replacement of machinery in the Company's different plants at a cost of SAR 2.5 million.

Furniture, Equipment and Vehicles

The net book value of furniture, equipment and vehicles increased by 9.1% in 2012, from SAR 6.2 million in 2011 to SAR 6.9 million in 2012, as a result of the completion of the expansion of the Iron Center.

In 2013, the net book value of furniture, equipment and vehicles increased by 35.2% from SAR 6.9 million in 2012 to SAR 9.3 million in 2013, mainly due to the completion of the construction of SPTC's new plant and the purchase of equipment and supplies amounting to SAR 1.7 million and computer software amounting to SAR 1.2 million.

Ongoing Constructions

The ongoing constructions include the construction cost of PP&E under construction. In 2012, the balance of ongoing constructions increased by 830.6% from SAR 12 million to SAR 111.4 million mainly due to additions amounting to SAR 74.2 million for the constructions of SPTC's new plant; SAR 16.5 million for WESCOSA representing a portion of the cost of refurbishing the small power transformers plant and the cable tray plant, as well as a portion of the cost of replacing machinery and equipment; and SAR 3.1 million for PP&E of the new distribution transformers plant.

In 2013, the ongoing constructions decreased by 65.1% from SAR 111.4 million in 2012 to SAR 38.9 million in 2013 due to the completion of SPTC's new plant, the new distribution transformers plant, and the new cable tray plant in 2013, and the transferring of the cost to PP&E. In 2013, the balance mainly consisted of SAR 14.8 million for the construction of an oven for SPTC's plant; SAR 6.5 million for machinery and equipment of the new distribution transformers plant; and SAR 17.5 million for WESCOSA projects, including SAR 9.7 million for the construction of the new cable tray plant and SAR 4.1 million for machinery and equipment.

The Estimated Useful Lives of the Assets

The PP&E are stated at historical cost less accumulated depreciation. M&R expenses are recorded under the expenses, while improvement expenses are capitalized. Neither the owned lands nor the ongoing constructions are subject to depreciation. Depreciation is calculated over the estimated economic life of the relevant assets using the straight line method. The estimated economic lives of the main asset categories are calculated as follow:

Table 6-30: The Estimated Useful Lives of the Assets

Asset Category	Number of Years
Buildings on Leased Lands and Improvements to Leased Buildings	8-33 years
Improvements to Leased Buildings	5 years

Asset Category	Number of Years
Plant and Machinery	3-12 years
Vehicles	4 years
Furniture and Equipment	3-10 years

Source: Audited Consolidated Financial Statements

The Company, along with its subsidiaries, confirms that they have no intention to change the current policy of calculating depreciation, and that there is no need to make amortization of its assets.

6.6.4.2 Intangible Assets

Table 6-31: Intangible Assets for the financial years from 2011 to 2013

SAR 000 (Rounded Figures)	2011	2012	2013	% Change 2011-2012	% Change 2012-2013
Intangible Assets	-	4,500	7,200	-	60.0%

Source: Audited Consolidated Financial Statements

In 2012, the intangible assets consisted of a technical license amounting to SAR 4.5 million, which SPTC acquired from CG Power in 2012. The Company's Management decided that it be amortized over five years as a precautionary measure.

In 2013, the intangible assets increased by 60% from SAR 4.5 million in 2012 to SAR 7.2 million in 2013, due to the capitalization of fees paid on a long-term loan obtained from SIDF in 2013 against the expenses that SIDF incurred as a result of the evaluation of SPTC's plant construction project, which is to be amortized over the loan period ending in November 2021.

6.6.4.3 Investments in Associates

Table 6-32: Investments in Associates for the financial years from 2011 to 2013

SAR 000 (Rounded Figures)	2011	2012	2013	% Change 2011-2012	% Change 2012-2013
Balance (beginning of period)	5,513	5,345	4,379	(3.0%)	(18.1%)
Share in the Results of an Associate	(168)	(966)	(545)	(475.0%)	(43.6%)
Dec. 31 Balance (beginning of period)	5,345	4,379	3,834	(18.1%)	(12.4%)

Source: Audited Consolidated Financial Statements

The investments in associates represents the Company's 49.0% share in CG Arabia Company. The balance of investments decreased in 2012 by 18.1%, from SAR 5.3 million in 2011 to SAR 4.4 million in 2012, as CG Arabia Company incurred SAR 1 million losses arising from pre-operating costs.

The balance of Investments decreased in 2013 by 12.4% from SAR 4.4 million in 2012 to SAR 3.8 million in 2013, due to losses of SAR 0.6 million. The decrease in losses in 2013 compared to 2012 is attributable to CG Arabia Company's achievement of sales during 2013, which reduced its losses.

6.6.4.4 Short-Term Loans

The Company obtained Sharia-compliant banking facilities from local banks during the period 2011-2013 to mainly finance working capital. These facilities are short-term loans through Islamic Murabaha and Tawarruq transactions, letters of credit, and letters of guarantee. All of these facilities are secured by corporate guarantees issued by the Company and its subsidiaries. Redistribution of these facilities was made among different subsidiaries and associates according to the needs and requirements of each.

The facilities include lending costs tied to the global lending rates. All short-term loan facilities that the Company obtained are payable at maturity date, i.e. are not adhered to over the period of the working capital, and are renewal upon their expiration through new Murabaha transactions.

The following table contains a summary of the short-term loans used by the Company for the financial year 2011-2013.

Table 6-33: Summary of the Company's Loans for the financial years from 2011 to 2013

Short-Term Loans	Facilities Available	Amount Used	Facilities Available	Amount Used	Facilities Available	Amount Used
SAR 000 (Rounded Figures)	2011	2011	2012	2012	2013	2013
Banque Saudi Fransi (BSF)	55,000	-	121,000	92,000	86,000	10,000
National Commercial Bank (NCB)	100,000	3,000	100,000	84,500	150,000	20,000
Samba Financial Group	100,000	9,000	100,000	-	100,000	2,000
Saudi British Bank (SABB)	50,000	15,000	47,500	-	30,000	-
Riyad Bank	100,000	62,770	100,000	46,000	100,000	22,000
Al Rajhi Bank	150,000	42,856	160,000	108,000	150,000	8,000
Saudi Hollandi Bank (SHB)*	30,000	-	30,000	20,000	80,000	-
Gulf International Bank (GIB)*	-	-	-	-	187,500	21,000
Saudi Investment Bank (SAIB)*	-	-	-	-	50,000	-
Letters-of-Credit Refi-nancing	-	-	-	13,441	-	-
Total	585,000	132,626	658,500	363,941	933,500	83,000

Source: EIC

*Note: the short-term loan facilities of these banks have a common are with the credit and guarantee facilities

In 2012, the short-term loans increased by 175% from SAR 132.6 million in 2011 to SAR 363.9 million in 2012, due to the increase in working capital needs in line with the growth of business activities, accompanied by an increase in capital costs with respect to SPTC's plant and the Iron Center. The Company has used 55.3% of the short-term loan facilities as at the end of 2012 compared to 22.7% as at the end of 2011.

In 2013, the balance of short-term loans used by the Company decreased by 77.1% from SAR 363.9 million in 2012 to SAR 83 million in 2013, as they were replaced by the refinancing of less costly notes payable to finance the working capital, and the Company financed its capital costs through long-term loans. The Company has used 9.5% of the available short-term credit facilities as at the end of 2013 compared to 55.3% as at the end of 2012.

The Company's working capital is financed through short-term loans, and the Company's capital costs are financed through long-term loans. It is worth mentioning that during the period 2011-2013, the Company's capital cost needs have been temporarily financed through short-term loans until completing the negotiations on the terms of the long-term loans contracts. Therefore, these short-term loans, which were used during the transition period, have been repaid upon receipt of the long-term loans due to the effectiveness of the Company's liquidity management.

6.6.4.5 Summary of Short- and Long-Term Banking Facilities

The total short- and long-term facilities available to the Company from local banks amount to SAR 2.25 billion. The following table summarizes these facilities in addition to the relevant guarantees:

Table 6-34: Summary of the Company's Short- and Long-Term Bank Facilities and Relevant Guarantees

Bank	Borrower	Type of Available Facilities	Guarantees	Credit Limit (SAR) as on 31/12/2013	Utilized Facilities (SAR) as on 31/12/2013
Al Rajhi Bank	Joint credit limit between STC and WESCOSA	Short-term future contracts of sale	• Guarantee from EIC to cover STC's liabilities, at a total amount of SAR 200,000,000 • Guarantee from EIC to cover WESCOSA's liabilities, at a total amount of SAR 200,000,000 • Guarantee from STC to cover WESCOSA's liabilities, at a total amount of SAR 200,000,000 • Guarantee from WESCOSA to cover STC's liabilities, at a total amount of SAR 200,000,000 • Promissory notes from STC guaranteed by EIC and WES-COSA, at a total amount of SAR 203,193,750 • Promissory notes from WESCOSA guaranteed by EIC and STC, at a total amount of SAR 203,193,750	150,000,000	8,000,000
		Participation Contracts		20,000,000	2,757,335
		Letters of Guarantee		30,000,000	6,758,000
		Agreement for Additional Long-Term Facilities	• Guarantee from EIC to cover STC's liabilities, at a total amount of SAR 100,000,000 • Guarantee from EIC to cover WESCOSA's liabilities, at a total amount of SAR 100,000,000 • Guarantee from WESCOSA to cover STC's liabilities, at a total amount of SAR 100,000,000 • Guarantee from STC to cover WESCOSA's liabilities, at a total amount of SAR 100,000,000 • 16 promissory notes, each amounts to SAR 6,962,891 from STC guaranteed by EIC and WESCOSA, at a total amount of SAR 111,406,250 • Promissory note from STC guaranteed by EIC and WES-COSA, at a total amount of SAR 111,406,250 • 16 promissory notes, each amounts to SAR 6,962,891 from WESCOSA guaranteed by EIC and STC, at a total amount of SAR 111,406,250 • Promissory note from WESCOSA guaranteed by EIC and STC, at a total amount of SAR 111,406,250	100,000,000	100,000,000

Bank	Borrower	Type of Available Facilities	Guarantees	Credit Limit (SAR) as on 31/12/2013	Utilized Facilities (SAR) as on 31/12/2013
Riyad Bank	STC	Overdraft	• Guarantee from EIC and WESCOSA to cover STC's liabilities, at a maximum of SAR 77,000,000 • Promissory note from STC guaranteed by EIC and WESCOSA, at a total amount of SAR 77,000,000 • Promissory note from STC guaranteed by EIC and WESCOSA, at a total amount of SAR 1,350,000	1,000,000	-
		Revolving Tawarruq facilities for the working capital needs against the financing of supplier bills		19,000,000	17,000,000
		Revolving Tawarruq facilities for the financing of supplier bills		20,000,000	-
		Direct credit substitutes, and the refinancing of credits in the form of Tawarruq		20,000,000	7,125,263
		Foreign exchange swaps for the purposes of trade finance		2,000,000	-
		Letters of guarantee		15,000,000	5,732,500
	WESCOSA	Revolving Tawarruq facilities for the working capital needs	• Guarantee from EIC and STC to cover WESCOSA's liabilities, at a maximum of SAR 122,500,000 • Promissory note from WESCOSA guaranteed by EIC and STC, at a total amount of SAR 122,500,000	40,000,000	5,000,000
		Revolving Tawarruq facilities for the working capital needs		20,000,000	-
		Direct credit substitutes, and the refinancing of credits in the form of Tawarruq		30,000,000	13,084,960
		Foreign exchange swaps for the purposes of trade finance		2,500,000	-
		Letters of guarantee		30,000,000	-
Samba Financial Group	STC	Overdraft and short-term loans under Murabaha Financing Agreement of SAR 50,000,000	• Guarantee from EIC to cover STC's liabilities, at a maximum of SAR 160,000,000 • Guarantee from WESCOSA to cover STC's liabilities, at a maximum of SAR 160,000,000 • Promissory note from STC at a total amount of SAR 160,000,000 • Promissory note from STC at a total amount of US$ 17,333,333	50,000,000	2,000,000
		Payable-at-sight documentary letters of credit and refinancing of credits under Murabaha Financing Agreement of SAR 65,000,000, in addition to letters of guarantee		65,000,000	30,459,805
		Coverage of volatility risks of foreign exchange swaps for the purposes of trade finance		35,000,000	-
		Coverage of volatility risks for commercial purposes		10,000,000	-
	WESCOSA	Overdraft and short-term loans under Murabaha Financing Agreement of SAR 50,000,000	• Guarantee from EIC to cover WESCOSA's liabilities, at a maximum of SAR 205,000,000 • Guarantee from STC to cover WESCOSA's liabilities, at a maximum of SAR 205,000,000 • Promissory note from WESCOSA at a total amount of SAR 205,000,000 • Promissory note from WESCOSA at a total amount of US$ 20,000,000	50,000,000	-
		Payable-at-sight documentary letters of credit and refinancing of credits under Murabaha Financing Agreement of SAR 75,000,000, in addition to letters of guarantee		75,000,000	25,237,142
		Coverage of volatility risks of foreign exchange swaps for commercial purposes		25,000,000	-
		Coverage of volatility risks for commercial purposes		5,000,000	-
		Long-term diminishing loan in the form of Islamic Murabaha		50,000,000	50,000,000
Saudi Investment Bank (SAIB)	Joint credit limit between STC and WESCOSA	SAR 50,000,000 facilities including sub-facilities through Islamic Murabaha finance: • SAR 50,000,000 sub-facilities for the financing of letters of guarantee and refinancing of credits • SAR 50,000,000 sub-facilities for the issuance of initial guarantee, final guarantee, and prepayment guarantee • SAR 5,000,000 sub-facilities for the issuance of payment guarantees to suppliers • SAR 20,000,000 medium-term Murabaha sub-facilities for payment to suppliers • SAR 20,000,000 sub-facilities for foreign exchange swaps	• Continuing guarantee (jointly and severally) from EIC to cover all liabilities against SAIB, at a maximum of SAR 50,000,000 • Continuing guarantee (jointly and severally) from WESCOSA to cover all liabilities against SAIB, at a maximum of SAR 50,000,000 • Promissory note from STC guaranteed by EIC and WESCOSA, at a total amount of SAR 50,000,000	50,000,000	273,534

Bank	Borrower	Type of Available Facilities	Guarantees	Credit Limit (SAR) as on 31/12/2013	Utilized Facilities (SAR) as on 31/12/2013
National Commercial Bank (NCB)	STC	Financing of working capital needs	• Guarantee from EIC to cover STC's liabilities, at a maximum of SAR 225,500,000 • Guarantee from WESCOSA to cover STC's liabilities, at a maximum of SAR 225,500,000 • Promissory note from STC guaranteed by EIC and WESCOSA, at a total amount of SAR 225,500,000	75,000,000	12,000,000
		Financing of the issuance of documentary credit, and refinancing of credits		55,000,000	10,581,499
		Issuance of initial guarantee, final guarantee, and prepayment guarantee		45,000,000	19,827,661
		Financing of hedging transactions		25,000,000	-
		Issuance of different types of payment guarantees		5,000,000	-
	WESCOSA	Financing of working capital needs	• Guarantee from EIC to cover WESCOSA's liabilities, at a maximum of SAR 214,500,000 • Guarantee from STC to cover WESCOSA's liabilities, at a maximum of SAR 214,500,000 • Promissory note from WESCOSA guaranteed by EIC and STC, at a total amount of SAR 214,500,000	75,000,000	8,000,000
		Financing of the issuance of documentary credit, and refinancing of credits		55,000,000	13,626,822
		Issuance of initial guarantee, final guarantee, and prepayment guarantee		37,000,000	30,002,438
		Financing of hedging transactions		25,000,000	-
		Issuance of different types of payment guarantees		3,000,000	-
Banque Saudi Fransi (BSF)	STC	Future purchase and sale deals of foreign currencies and/or minerals under Treasury Products Agreement of SAR 5,000,000	• Guarantee from EIC to cover STC's liabilities, at a total amount of SAR 70,000,000 • Promissory note from STC at a total amount of SAR 70,000,000	5,000,000	-
		Overdraft		2,000,000	-
		Tawarruq for the financing of working capital under Agreement for Sale and Purchase of Goods (Tawarruq) of SAR 63,000,000		23,000,000	-
		Multi-purpose facilities at a maximum total of SAR 40,000,000: • Tawarruq sub-facilities at SAR 40,000,000 under Agreement for Sale and Purchase of Goods (Tawarruq) of SAR 63,000,000 • Sub-facilities for the financing of payable-at-sight documentary letters of credit and refinancing of letters of credit at SAR 40,000,000 under Model Murabaha Agreement of SAR 40,000,000 • Sub-facilities for the financing of letters of credit (documentary collection against acceptance) at SAR 3,000,000 • Sub-facilities for covering the collection cost of importing documents at SAR 2,500,000 • Sub-facilities for the issuance of different bonds at SAR 40,000,000 • Sub-facilities of SAR 2,000,000 for payment guarantee		40,000,000	6,053,005
	WESCOSA	Future purchase and sale deals of foreign currencies and/or minerals under Treasury Products Agreement of SAR 5,000,000	• Guarantee from EIC to cover WESCOSA's liabilities, at a total amount of SAR 85,000,000 • Promissory note from WESCOSA at a total amount of SAR 85,000,000	5,000,000	-
		Overdraft		9,000,000	-
		Tawarruq for the financing of working capital under Agreement for Sale and Purchase of Goods (Tawarruq) of SAR 71,000,000		21,000,000	-
		• Multi-purpose facilities at a maximum total of SAR 50,000,000: • Tawarruq sub-facilities at SAR 50,000,000 under Agreement for Sale and Purchase of Goods (Tawarruq) of SAR 71,000,000 • Sub-facilities for the financing of payable-at-sight documentary letters of credit and refinancing of letters of credit at SAR 50,000,000 under Murabaha Agreement of SAR 50,000,000 • Sub-facilities for the financing of letters of credit (documentary collection against acceptance) at SAR 3,000,000 • Sub-facilities for covering the collection cost of importing documents at SAR 2,500,000 • Sub-facilities for the issuance of different bonds at SAR 50,000,000 • Sub-facilities of SAR 3,000,000 for payment guarantee		50,000,000	13,096,001

Bank	Borrower	Type of Available Facilities	Guarantees	Credit Limit (SAR) as on 31/12/2013	Utilized Facilities (SAR) as on 31/12/2013
	SPTC and CG Arabia Company	• Multi-purpose facilities at a maximum total of SAR 125,000,000: • Tawarruq sub-facilities at SAR 125,000,000 under Murabaha Agreement of SAR 125,000,000 • Sub-facilities for the financing of payable-at-sight documentary letters of credit and refinancing of letters of credit at SAR 125,000,000 under Murabaha Agreement of SAR 125,000,000 • Sub-facilities for the issuance of different bonds at SAR 125,000,000 • Sub-facilities of SAR 125,000,000 for payment guarantee	• Guarantee from EIC to cover SPTC's liabilities, at an amount of SAR 110,050,000 • Guarantee from CG Holdings to cover SPTC's liabilities, at an amount of SAR 110,050,000 • Promissory note from SPTC at a total amount of SAR 220,100,000 • Promissory note from CG Arabia Company at a total amount of SAR 220,100,000	125,000,000	4,376,208
		Issuance of tender bonds		25,000,000	-
		Future purchase and sale deals of foreign currencies		10,000,000	-
		Tawarruq for the financing of working capital		31,000,000	10,000,000
		Tawarruq facilities at SAR 26,100,000, and swap agreements and options contracts at SAR 3,000,000, exclusively granted to SPTC		29,100,000	23,200,000
Saudi British Bank (SABB)	Joint credit limit between STC and WESCOSA	Agreement for Protection against Fluctuations in Funding Costs	• Guarantee from EIC to cover STC's liabilities, at a maximum of SAR 145,000,000 • Promissory note from STC at a total amount of SAR 145,000,000	45,000,000	-
		Multi-purpose facilities at a maximum total of SAR 100,000,000: • Tawarruq sub-facilities at SAR 25,000,000 under Islamic Financing Agreement • Sub-facilities for the financing and refinancing of documentary letters of credit at SAR 75,000,000 under Islamic Financing Agreement • Sub-facilities for shipping guarantees of SAR 75,000,000 • Sub-facilities for the issuance of initial guarantee, final guarantee, and prepayment guarantee at SAR 50,000,000 • Sub-facilities for different guarantees at SAR 50,000,000 • Sub-facilities for different guarantees of no fixed period at SAR 10,000,000		100,000,000	18,085,260
	SPTC	Multi-purpose facilities at a maximum total of SAR 12,500,000: • Sub-facilities for the financing and refinancing of documentary letters of credit at SAR 12,500,000 under Islamic Financing Agreement • Sub-facilities for shipping guarantees of SAR 12,500,000 • Tawarruq sub-facilities at SAR 5,000,000 under Islamic Financing Agreement • Sub-facilities for initial and guarantees at SAR 3,000,000	• Guarantee from EIC to cover 51% of SPTC's liabilities, at a total amount of SAR 18,615,000 • Guarantee from CG Power to cover 49% of SPTC's liabilities, at a total amount of SAR 17,885,000 • Promissory note from SPTC at a total amount of SAR 36,500,000	12,500,000	-
		Long-term diminishing loan in the form of Islamic Murabaha		24,000,000	24,000,000
Saudi Hollandi Bank (SHB)	WESCOSA	Multi-purpose facilities at a maximum total of SAR 80,000,000: • Sub-facilities for companies' overdrafts from current Islamic accounts at SAR 5,000,000 • Tawarruq short-term sub-facilities at SAR 50,000,000 under Islamic Financing Agreement • Sub-facilities for payable-at-sight documentary credits and refinancing of credits at SAR 60,000,000 under Islamic Financing Agreement • Sub-facilities for the issuance of initial guarantees, final guarantees, and prepayment guarantees at SAR 45,000,000	• SAR 132,890,000 guarantee from EIC, to cover WESCOSA's liabilities, subject to EIC's 97% ownership share in WESCOSA • SAR 4,110,000 guarantee from STC, to cover WESCOSA's liabilities, subject to EIC's 3% ownership share in WESCOSA • Promissory note from WESCOSA at a total amount of SAR 137,000,000	80,000,000	19,072,022
		Future exchange contracts of sub-maximum		57,000,000	-

Bank	Borrower	Type of Available Facilities	Guarantees	Credit Limit (SAR) as on 31/12/2013	Utilized Facilities (SAR) as on 31/12/2013
Gulf International Bank (GIB)	STC	• Short-term sub-facilities for financing the working capital at SAR 75,000,000	• Guarantee from EIC to cover STC's liabilities, at an amount of SAR 93,750,000 • Promissory note from STC guaranteed by EIC, at a total amount of SAR 93,750,000	93,750,000	11,000,000
		Multi-purpose facilities at a maximum total of SAR 93,750,000: • Sub-facilities for the refinancing of goods purchases from suppliers at SAR 93,750,000 under Murabaha Financing Agreement of SAR 93,750,000 • Sub-facilities for letters of guarantee at SAR 93,750,000			1,900,830
	WESCOSA	Short-term sub-facilities for financing the working capital at SAR 75,000,000	• Guarantee from EIC to cover WESCOSA's liabilities, at an amount of SAR 93,750,000 • Promissory note from WESCOSA guaranteed by EIC, at a total amount of SAR 93,750,000	93,750,000	10,000,000
		Multi-purpose facilities at a maximum total of SAR 93,750,000: • Sub-facilities for the refinancing of goods purchases from suppliers at SAR 93,750,000 under Murabaha Financing Agreement of SAR 93,750,000 • Sub-facilities for letters of guarantee at SAR 93,750,000			22,171,700
SIDF	SPTC	Term Loan	Warranty of merchantability from the shareholders, STC (51%), and CG Power (49%)	56,900,000	44,990,000
Total				2,252,500,000	575,411,985

Source: EIC

6.6.5 Non-current Liabilities

Table 6-35: Non-current Liabilities for the financial years from 2011 to 2013

SAR 000 (Rounded Figures)	2011	2012	2013	% Change 2012	% Change 2013
Long Term Loan	-	27,185	219,265	100.0%	706.6%
End-of-Services Gratuity	43,419	48,114	54,713	10.8%	13.7%
Total Non-current Liabilities	43,419	75,299	273,978	73.4%	263.9%

Source: Audited Consolidated Financial Statements

Non-current liabilities comprise long-term loans and provision for end-of-service gratuity. In 2012, non-current liabilities increased 73% from SAR 43 million in 2011 to SAR 75 million in 2012, as a result of the utilization of a long-term loan by the Company to finance the requirements of capital costs of SPTC.

In 2013, non-current liabilities increased 264% from SAR 75.3 million in 2012 to SAR 274 million in 2013, due to the Company's decision to finance the capital costs through long-term loans.

6.6.5.1 Long-term Loans

Table 6-36: Long-term loans for the financial years from 2011 to 2013

SAR 000 (Rounded Figures)	Available Facilities 2011	Utilized Amount 2011	Available Facilities 2012	Utilized Amount 2012	Available Facilities 2013	Utilized Amount 2013
Samba Financial Group	-	-	-	-	50,000	50,000
Al Rajhi Bank	-	-	-	-	100,000	100,000
Banque Saudi Fransi	-	-	29,100	27,185	29,100	23,200
Saudi British Bank (SABB)	-	-	39,000	-	24,000	24,000
SIDF	-	-	-	-	56,900	44,990
Total	-	-	68,000	27,185	260,000	242,190

Source: EIC

Long-term loans to subsidiaries and associates are guaranteed with guarantees issued by the companies that own the shares, where each company guarantees the loan on a pro-rata basis.

Total loans to WESCOSA and STC amounted to SAR 150 million to finance the capital costs, as follows:

A long-term loan of SAR 50 million was granted to WESCOSA and STC by Samba Financial Group for five years with a grace period of one year. This loan will be paid in 16 quarterly installments (around SAR 3.1 million exclusive of the financing cost) as of June 2014.

Similarly, a long-term loan of SAR 100 million was equally granted to WESCOSA and STC by Al Rajhi Bank. This loan will be paid in 16 quarterly installments (around SAR 3.5 million for each company exclusive of the financing cost) as of November 2014.

In 2012, SPTC was granted a loan by Banque Saudi Fransi to finance its capital costs till the completion of the loan of SIDF. In 2012, the long-term loans utilized by SPTC amounted to SAR 27.2 million.

SPTC was granted a loan by SIDF against the holding of its assets under pledge to finance its capital costs. The company prepaid valuation fees of SAR 4 million. The loan is planned to be repaid in 15 biannual installments ending by 2021.

In 2013, the long-term loans granted to SPTC amounted to SAR 92.2 million (SAR 23.2 million by Banque Saudi Fransi; SAR 24 million by Saudi British Bank (SABB); and SAR 45 million by SIDF.

The table below illustrates the long-term loan repayment schedule at the level of the Company as of the end of 2013:

Table 6-37: Long-term repayment schedule as at the end of 2013

SAR 000 (Rounded Figures)	Payment of Loan Principal 2013
Within one year	22,925
Within two years	51,300
Within three years	52,300
More than three years and less than five years	86,675
More than five years	28,990
Total	242,190

Source: EIC

6.6.5.2 Employees' End-of-Service Gratuity

Table 6-38: Employees' End-of-Service Gratuity for the financial years from 2011 to 2013

SAR 000 (Rounded Figures)	2011	2012	2013	Change % 2011-2012	Change % 2012-2013
Employees' end-of-service gratuity	43,419	48,114	54,713	10.8%	13.7%

Source: Audited Consolidated Financial Statements

The provision for employees' end-of-service gratuity is calculated under the Saudi Labor Law. The provision for employees' end-of-service gratuity increased 10.8% from SAR 43.4 million in 2011 to SAR 48.1 million in 2012, as a result of the increase in provisions for employees that completed five years of service, along with the increase in the number of the permanent employees from 892 employees in 2011 to 968 employees in 2012, in addition to the increases in annual salaries.

In 2013, the provision for employees' end-of-service gratuity increased 13.7% from SAR 48.1 million in 2012 to SAR 54.7 million, mainly due to the increase in the number of employees who completed five years of service, along with an increase in the number of the permanent employees from 968 employees in 2012 to 1529 employees in 2013, after the guaranty of 425 technicians were transferred to the Company and a number of the Company employees were promoted to top administrative positions, the most important of which the Executive Deputy Chief Operation Officer, the Executive Deputy Chief Financial Officer, the Executive Deputy Chief Information Technology Officer, and the Deputy Chief Engineer. This has caused higher provisions, due to the long term of service of such employees.

6.6.5.3 Shareholders' Equity

Table 6-39: Shareholders' Equity for the financial years from 2011 to 2013

SAR 000 (Rounded Figures)	2011	2012	2013	Change % 2011-2012	Change % 2012-2013
Capital	350,000	350,000	350,000	-	-
Proposed Capital Increase	-	-	100,000	-	-
Statutory Reserves	12,370	23,185	9,781	87.4%	(57.8%)
Retained Earnings	24,008	64,878	46,395	170.2%	(28.5%)
Proposed Dividend Payout	130,000	54,000	35,000	(58.5%)	(35.2%)
Non-controlling Interest	10,676	13,119	2,873	22.9%	(78.1%)
Total Shareholders' Equity	527,054	505,182	544,049	(4.1%)	7.7%

Source: Audited Consolidated Financial Statements

Shareholders' equity mainly comprises the capital, the proposed capital increase, the statutory reserve, the non-controlling interest, the retained earnings, and the proposed dividend payout.

Shareholders' equity declined 4.1% from SAR 527.1 million in 2011 to SAR 505.2 million in 2012, as a result of the decrease of proposed dividends from SAR 130 million in 2011 to SAR 54 million in 2012.

In 2013, shareholders' equity increased 7.7% from SAR 505.2 million in 2012 to SAR 544 million in 2013, as a result of higher net income in 2013, and the allocation of SAR 100 million from retained earnings and statutory reserve as a proposed capital increase.

Capital

The Company proposed a capital increase of SAR 100 million through the capitalization of reserves and retained earnings, and this capital increase was approved by the Extraordinary General Meeting (EGM) held on 10/3/2014.

Statutory Reserve

Statutory reserve increased 87.4% from SAR 12.4 million in 2011 to SAR 23.2 million in 2012, which represents 10% of the Company's net income in 2012. In 2013, the statutory reserve declined 57.8% from SAR 23.2 million in 2012 to SAR 9.8 million in 2013, as a result of the capitalization of SAR 30 million of the statutory reserve as part of the proposed capital increase, after adding SAR 16.6 million, which represents 10% of the net income in 2013, to the statutory reserve.

Retained Earnings

Retained earnings increased 170.2% from SAR 24 million in 2011 to SAR 64.9 million in 2012, as a result of the decline in the proposed dividends from SAR 130 million in 2011 to SAR 54 million in 2012.

In 2013, retained earnings declined 28.5% from SAR 64.8 million in 2012 to SAR 46.3 million in 2013, mainly due to the capitalization of SAR 70 million of the net income as part of the proposed capital increase.

Proposed Dividend Payout

Proposed dividends declined 58.5% as of 31 December 2011 from SAR 130 million in 2011 to SAR 54 million in 2012, as a result of the Company's resolution on the reduction of the proposed dividends after lower net income generated during the year.

Dividends dropped 35.2% from SAR 54 million as of 31 December 2012, to SAR 35 million as of 31 December 2013. Interim dividends of SAR 61 million were approved so that total dividends paid in 2013 increased 78.3% to SAR 96.3 million from SAR 54 million in 2012, as a result of the Company's resolution on the increase of the dividends due to higher net income generated by the Company this year.

Non-controlling Equity

Non-controlling equity rose by 22.9% from SAR 10.7 million in 2011 to SAR 13.1 million in 2012, mainly due to the capital increase of SPTC. This increase was made in order that the Company capital not be less than 25% of the total value of project under the request of SIDF.

The decrease of 78.1% in the non-controlling equity from SAR 13.1 million in 2012 to SAR 2.9 million in 2013 was due to the settlement of the loss of SAR 10.2 million incurred by SPTC in 2013.

6.6.6 Contingent Liabilities

6.6.6.1 Contingent liabilities and obligations other off-balance sheet items

Contingent liabilities1.1.1.1.1

Table 6-40: Letters of credit, letters of guarantee, bank guarantees, and facilities to hedge against FX volatility risk in FX SWAPs as at the end of 2013

SAR 000 (Rounded Figures)	Total facilities	Utilized	Unutilized	Maturity date
Banque Saudi Fransi	260,000	23,525	236,475	31 September 2014G
National Commercial Bank	250,000	74,038	175,962	31 July 2015 G
Samba Financial Group	215,000	55,697	159,303	30 April 2015 G
Saudi British Bank	127,500	18,085	109,415	30 November 2014G
Riyadh Bank	99,500	25,943	73,557	6 November 2015 G
Al Rajhi bank	50,000	9,515	40,485	17 September 2014G
The Saudi Hollandi Bank*	137,000	19,072	117,928	17 April 2015 G
Gulf International Bank *	187,500	24,073	163,427	27 October 2014G
Saudi Investment Bank *	50,000	274	49,726	31 October 2014G
Total	1,376,500	250,222	1,125,278	

Source: EIC

* Note: Short-term credit facilities and L/Cs and L/Gs facilities are under the same limits.

Contingent liabilities represent letters of credit, letters of guarantee, bank guarantees on behalf of EIC and subsidiaries to purchase raw materials and machinery, the payment of prepayments for customs duties, and facilities to hedge against FX volatility risk in FX SWAPs. In 2013, the value of letters of credit and letters of guarantees to EIC amounted to SAR 1,376.5 million, of which SAR 250.2 million was utilized.

Commitments

EIC concluded forward contracts to purchase certain materials on the basis of its anticipated needs. The value of the contracts totals SAR 79.9 million in 2013. The table below includes the details of these commitments by material type:

Table 6-41: Commitments under forward contracts as at the end of 2013:

SAR 000 (Rounded Figures)	2013
Copper	20,625
Silicon Steel	26,250
Over-voltage protection devices	4,875
Oil	10,500
Miscellaneous	17,625
Total	79,875

Source: EIC

The members of the Board of Directors approved an amount of SAR 69 million for future capital expenditures for PP&E, and information technology.

Derivatives

EIC and subsidiaries signed agreements on fixed financing costs to hedge against the fluctuations of the financing costs (SIBOR). Under the agreement of fixed financing costs, EIC pays fixed financing costs with variable interest rate equal to the three month London Interbank Offered Rate (LIBOR) on a nominal amount of USD 20 million (SAR 75 million) in 2013. Net change in the hedging amounted to SAR 0.9 million in 2013, which was recorded under the consolidated income statement. The agreement on fixed financing cost expires at the end of the first quarter of 2014.

Corporate Tax Arising from Sale of Pauwels Interest of 19% in STC to Saudi Shareholders

Total tax on capital gains and delay penalties, resulting from the sale of 19% of STC by Pauwels to Saudi shareholders as per the final return issued by the Department of Zakat and Income Tax in 2001, amounted to SAR 2.7 million. This amount was fully paid and all entitlements were settled for 2001 with the Department of Zakat and Income Tax.

6.6.6.2 Other issues

The assets of EIC and its subsidiaries are not encumbered by any real estate pledge, other pledges or rights, except the pledge over assets of SPTC, provided as collateral for the loan granted to the Company by SIDF.

6.7 Related Parties Dealings

In the context of its activities, the Company conducts operations in KSA with related parties including (CG Power), CG Arabia, Al-Toukhi Establishment for Industry, Trading and Contracting and Al-Quraishi Electrical Services of Saudi Arabia.

The following table contains a summary of major operations and balances for years 2011, 2012, 2013:

Table 6-42: Operations and balances of related parties for the financial years from 2011 to2013

SAR 000 (Rounded Figures)	2011	2012	2013	Change % 2011-2012	Change % 2012-2013
Operations					
Sales	14,573	2,520	19,362	(82.7%)	668.3%
Cash transferred	7,501	3	-	(100%)	-
Cash received	-	-	7,029	-	-
Technical assistance fees	26	6,977	7,260	26,734.6%	4.1%

Source: Audited Consolidated Financial Statements

In 2012, sales to related parties dropped 82.7% from SAR 14.6 million in 2011 to SAR 2.5 million in 2012, mainly due to the lower sales volume of Al-Quraishi Electrical Services of Saudi Arabia. In 2013, sales to related parties increased by 668.3% from SAR 2.5 million in 2012 to SAR 19.3 million in 2013, mainly due to higher sales to Al-Toukhi Group.

Cash transferred are related to any amount transferred by STC to CG Arabia during 2011. CG Arabia paid this amount in 2012.

Cash received are related to cash received by SPTC from CG Arabia. This amount is expected to be paid during 2014.

Technical assistance fees are related to fees due by SPTC to CG Power with regards to the technical assistance provided by CG Arabia, which amounted to SAR 7 million and SAR 7.3 million for 2012 and 2013 respectively.

(For more details on the amounts due by related parties, please see Section (6-6-2-1) herein titled “Trade Receivables and Others”, and for more on the amounts due to related parties, please see Section (6-6-2-3) herein titled “Current Liabilities”).

6.8 Consolidated Cash Flows

Table 6-43: Consolidated statement of cash flows for the financial years from 2011 to 2013

SAR 000 (Rounded Figures)	2011	2012	2013
Income before Non-controlling Interest and Zakat	122,326	115,148	173,812
Depreciation	15,505	14,970	19,016
Amortization	-	-	1,300
End-of-Service Gratuity, net	3,043	4,696	6,599
Share of results in associates	168	966	545
Financial charges	10,349	8,175	11,180
Loss on disposal of PP&E	-	-	131
Provision for technical warranties and punitive charges	4,126	1,922	(13,279)
Total	155,516	145,876	199,304
Changes in working capital			
Accounts receivable	22,112	(120,724)	24,508
Inventory	(35,167)	(52,861)	47,328
Accounts payable	9,389	69,137	(7,083)
Total	151,850	41,428	264,056
Financial charges	(10,349)	(8,175)	(11,180)
Paid Zakat	(11,170)	(11,622)	(10,979)
Net cash from operational activities	130,332	21,631	241,898
Investment activities			
Purchase of PP&E	(9,945)	(119,856)	(76,482)
Intangible assets	-	-	(4,000)
Net cash used in investment activities	(9,945)	(119,856)	(80,482)
Financing activities			
Non-controlling equity	11,025	3,773	(124)
Proceeds from long-term loans	-	-	215,005
Bonuses paid to board of directors	-	(864)	(1,600)
Net change in short-term loans	17,061	258,500	(280,941)
Net change in shareholders' accounts	(56,584)	-	-
Paid dividends	(96,060)	(130,000)	(115,250)
Net cash (used in)/ from financing activities	(124,558)	131,410	(182,909)
Increase/decrease in bank balances and cash	(4,171)	33,185	(21,494)
Bank balances and cash at the beginning of the year	16,632	23,936	57,121
Bank balances and cash of the subsidiary	11,475	-	-
Bank balances and cash at the end of the year	23,936	57,121	35,627

Source: Audited Consolidated Financial Statements

Table 6-44: Cash flows from operational activities for the financial years from 2011 to 2013

SAR 000 (Rounded Figures)	2011	2012	2013
Income before Non-controlling Interest and Zakat	122,326	115,148	173,812
Depreciation	15,505	14,970	19,016
Amortization	-	-	1,300
End-of-Service Gratuity, net	3,043	4,696	6,599
Share of results in associates	168	966	545
Financial charges	10,349	8,175	11,180
Loss on disposal of PP&E	-	-	131
Provision for technical warranties and punitive charges	4,126	1,922	(13,279)
Total	155,516	145,876	199,304
Changes in working capital			
Accounts receivable	22,112	(120,724)	24,508
Inventory	(35,167)	(52,861)	47,328
Accounts payable	9,389	69,137	(7,083)
Total	151,850	41,428	264,056
Financial charges	(10,349)	(8,175)	(11,180)
Zakat Paid	(11,170)	(11,622)	(10,979)
Net cash from operational activities	130,332	21,631	241,898

Source: Audited Consolidated Financial Statements

Cash flows from operational activities include income before non-controlling Interest and Zakat after settling non-cash charges related to depreciation, amortization, changes in provision for end-of-service gratuity, share of results in an associate, financial charges, loss on disposal of PP&E, provision for technical warranties and punitive charges, and the settlement of changes in the working capital.

Cash flows from operational activities dropped 83.4% from SAR 130.3 million in 2011 to SAR 21.6 million in 2012, mainly due to the adverse effect of changes in the working capital, specifically due to the increase in trade receivables and inventory. Changes in the working capital declined form SAR (3.7) million in 2011 to SAR (104.4) million in 2012 due to the following:

A- An increase in the balance of trade receivables in 2012 due to the increase in sales during the last quarter of 2012, which were SAR 100.2 million higher compared to the same period in 2011. Similarly, the balance of trade receivables was higher in 2012 as a result of the delay in the settlement of trade receivables, as EIC's key clients delayed the payment till the reception of Zakat certificate from EIC; and

B- An increase in the inventory volume in 2012, as a result of an increase in the purchases of raw materials to implement more delayed purchase orders as at the end of 2012.

In 2013, cash flows from operational activities increased 1018.3% from SAR 21.6 million in 2012 to SAR 241.9 million, due to the following:

A- An increase of SAR 66.6 million in earnings before finance cost, tax, depreciation, and amortization as a result of higher sales and gross profit margins in 2013;

B- A decrease of SAR 24.5 million in trade receivables as a result of the enhanced collection and the improvement in the settlement of reconciliation with the engineering, procurement and construction contractors in the oil and gas sector; and

C- A decrease of SAR 47.3 million in the inventory as a result of the improve inventory management.

Table 6-45: Cash flows used in investment activities for the financial years from 2011 to 2013

SAR 000 (Rounded Figures)	2011	2012	2013
Purchase of PP&E	(9,945)	(119,856)	(76,482)
Intangible assets	-	-	(4,000)
Net cash used in investment activities	(9,945)	(119,856)	(80,482)

Source: Audited Consolidated Financial Statements

Cash flows used in investment activities include the purchase of PP&E, as well as the intangible assets.

In 2012, cash flows used in investment activities increased 1105.2% from SAR 9.9 million in 2011 to SAR 119.8 million in 2012, as a result of the increase in the costs of PP&E in 2012, which are mainly related to the following:

(A) Establishment of the new plant of SPTC at the value of SAR 74.2 million;

(B) Establishment of cable tray plant at the value of SAR 16.5 million for WESCOSA;

(C) The expansion of the (Plant No. 3) of STC at the value of SAR 3.1 million.

In 2013, cash flows used in investment activities declined 32.9% from SAR 119.8 million in 2012 to SAR 80.4 million in 2013, as a result of lower expenses on PP&E in 2013. This is mainly related to the following:

(A) Additions to work in progress, which mainly included SPTC (SAR 15 million);

(B) Expenses on PP&E of the new production line of STC at SAR 9 million;

(C) PP&E of the new plant of SPTC at SAR 40.5 million.

Intangible assets represent prepaid fees of SAR 4 million for a long-term loan granted by SIDF in 2013, which is amortized throughout the loan term that expires in November 2021.

Table 6-46: Cash flows used in/ from financing activities for the financial years from 2011 to 2013

Cash flows used in/ from financing activities SAR 000 (Rounded Figures)	2011	2012	2013
Non-controlling equity	11,025	3,773	(124)
Proceeds from long-term loans	-	-	215,005
Bonuses paid to board of directors	-	(864)	(1,600)
Net change in short-term loans	17,061	258,500	(280,941)
Net change in shareholders' accounts	(56,584)	-	-
Paid dividends	(96,060)	(130,000)	(115,250)
Net cash (used in)/ from financing activities	(124,558)	131,410	(182,909)

Source: Audited Consolidated Financial Statements

Cash flows used in/ from financing activities are related to the net change in short-term loans, net change in shareholders' accounts, bonuses paid to the Board of Directors, non-controlling equity, and paid dividends.

In 2012, cash flows used in/ from financing activities increased from SAR (124.6) million in 2011 to SAR 131.4 million in 2012, mainly due to the increase in short-term loans granted to finance the requirements of the working capital and the capital costs, as the Company witnessed negative cash flows during 2012, as a result of the increase in the requirements of the working capital. In addition, the Company paid SAR 130 million as dividends in 2012.

In 2013, cash flows used in/ from financing activities declined from SAR 131.4 million in 2012 to SAR (182.9) million in 2013, mainly due to the repayment of short-term loans (SAR 280.9 million), in addition to the payout of dividends of SAR 115 million in 2013.

The change in shareholders' accounts in 2011 resulted from the payment of amounts due to shareholders. These amounts represent the remaining and due balance due to shareholders as a result of the transfer of their interest in associates to the Company in 2010, after the Company restructuring and capital increase to SAR 350 million. The remaining balance amounted to SAR 53.9 million, which was recorded at the shareholders' account and then paid to them. (For more details on the Company restructuring, please see Section (4-5) herein titled "Evolution of Ownership Structure of Company and Subsidiaries and Associates"). None of these actions was made in 2012 or 2013.

Cash flows from bonuses paid to the Board of Directors include the bonuses paid to the members of the Board Committees formed in 2012. The Board of Directors has set the bonuses to employees for 2012 and 2013.

Cash flows resulting from non-controlling equity are related to the share of CG Power Company (49%) in the capital of SPTC. Cash flows resulting from non-controlling equity amounted to SAR 11 million in 2011, which are related to the shareholding of CG Power Company in the capital of SPTC, which amounted to SAR 22.5 million in 2011. Cash flows resulting from the financing actives of non-controlling equity amounted to SAR 3.8 million, which were mainly related to the shareholding of CG Power Company in the capital increase of SPTC (SAR 7.7 million) during the year.

In 2013, cash flows resulting from non-controlling equity amounted to SAR (124) thousand.

Dividends paid by the Company amounted to SAR 96.1 million in 2011, SAR 130 million in 2012 and SAR 115.3 million in 2013.

6.9 Summary of Financial Statements of Subsidiaries

6.9.1 Summary of financial statements of STC

Table 6-47: Summary of the audited financial statements and key financial indicators of STC for the financial years from 2011 to 2013

SAR 000 (Rounded Figures)	2011	2012	2013
Income Statement Summary			
Sales	408,796	435,310	558,728
Cost of sales	(320,376)	(371,662)	(467,173)
Gross Margin	88,420	63,647	91,555
Selling and Distribution expenses	(11,583)	(13,563)	(16,508)
General and administrative expenses	(10,762)	(13,064)	(15,885)
Operating income	66,074	37,020	59,162
Net income	57,036	31,209	45,882
Financial Position			
Total Current Assets	339,949	392,464	416,980
PP&E	70,211	53,181	71,301
Investment in Subsidiaries and Associates	16,457	-	-
Total Assets	410,160	445,644	488,282
Total Current Liabilities	230,580	267,694	233,765
Total Liabilities	249,725	289,384	306,140
Capital	102,750	102,750	102,750
Statutory Reserve	34,430	37,551	42,139
Retained Earnings	23,255	15,959	22,253

SAR 000 (Rounded Figures)	2011	2012	2013
Proposed Dividend Payout	-	-	15,000
Total Partners' Equity	160,435	156,260	182,142
Total Liabilities and Partners' Equity	410,160	445,644	488,282
Key Financial Indicators			
Annual Growth of Sales		6.5%	28.4%
Annual Growth of Net Income		-45.3%	47.0%
Earnings before Financing Costs, Zakat, Depreciation and Amortization (SAR million)	70,073	40,647	62,416
Gross Profit Margin	21.6%	14.6%	16.4%
Profit Margin before Financing Costs, Zakat, Depreciation and Amortization (SAR million)	17.1%	9.3%	11.2%
Net Profit Margin	14.0%	10.2%	12.9%
Liquidity Ratio (X)	1.5x	1.5x	1.8x
Return on Equity (ROE)	35.6%	20.0%	25.2%
Return on Assets (ROA)	13.9%	7.0%	9.4%

Source: Audited Financial Statement of STC and the Company

6.9.2 Summary of financial statements of WESCOSA

Table 6-48: Summary of the audited financial statements and key financial indicators of WESCOSA for the financial years from 2011 to 2013

SAR 000 (Rounded Figures)	2011	2012	2013
Income Statement Summary			
Sales	553,292	627,391	719,123
Cost of sales	(442,487)	(491,491)	(535,842)
Gross Margin	110,804	135,900	183,281
Selling and Distribution expenses	(26,911)	(27,508)	(22,074)
General and administrative expenses	(17,385)	(19,694)	(20,017)
Operating income	66,508	88,698	141,189
Net income	56,662	79,567	131,490
Financial Position			
Total Current Assets	483,404	594,336	569,827
PP&E	89,033	94,387	103,052
Total Assets	572,438	688,723	672,879
Total Current Liabilities	322,797	396,541	200,665
Total Liabilities	347,037	422,755	316,671
Capital	50,000	64,000	64,000
Statutory Reserve	25,000	32,000	32,000
Retained Earnings	150,401	169,968	240,208
Proposed Dividend Payout	-	-	20,000

SAR 000 (Rounded Figures)	2011	2012	2013
Total Partners' Equity	225,401	265,968	356,208
Total Liabilities and Partners' Equity	572,438	688,723	672,879
Key Financial Indicators			
Annual Growth of Sales		13.4%	14.6%
Annual Growth of Net Income		40.4%	65.3%
Earnings before Financing Costs, Zakat, Depreciation and Amortization (SAR million)	77,933	88,709	153,121
Gross Profit Margin	20.0%	21.7%	25.5%
Profit Margin before Financing Costs, Zakat, Depreciation and Amortization (SAR million)	14.1%	14.1%	21.3%
Net Profit Margin	10.2%	12.7%	18.3%
Liquidity Ratio (X)	1.5x	1.5x	2.8x
Return on Equity (ROE)	25.1%	29.9%	36.9%
Return on Assets (ROA)	9.9%	11.6%	19.5%

Source: Audited Financial Statement of WESCOSA and the Company

6.9.3 Summary of the financial statements of SPTC

Table 6-49: the audited financial statements and key financial indicators of SPTC for the financial years from 2011 to 2013

SAR 000 (Rounded Figures)	2011	2012	2013
Income Statement Summary			
Sales	-	-	7,896
Cost of sales	-	-	(16,474)
Gross Margin	-	-	(8,578)
Selling and Distribution expenses	-	-	-
General and administrative expenses	(908)	(3,241)	(10,240)
Operating income	(908)	(3,241)	(20,118)
Net income	(712)	(2,966)	(21,584)
Financial Position			
Total Current Assets	21,604	14,642	16,966
PP&E	221	1,104	105,205
Capital Work in Progress	-	90,560	-
Total Assets	21,825	110,806	125,770
Total Current Liabilities	283	62,966	39,113
Total Liabilities	315	84,526	121,111
Capital	22,500	30,200	30,200
Accumulated Losses	(990)	(3,956)	(25,540)
Total Partners' Equity	21,510	26,244	4,660
Total Liabilities and Partners' Equity	21,825	110,806	125,770

SAR 000 (Rounded Figures)	2011	2012	2013
Key Financial Indicators			
Annual Growth of Sales		-	-
Annual Growth of Net Income		-	-
Earnings / (Losses) before Financing Costs, Zakat, Depreciation and Amortization (SAR million)	(907)	(3,145)	(17,331)
Gross Profit / (loss) Margin	-	-	-
Profit (Loss) Margin before Financing Costs, Zakat, Depreciation and Amortization (SAR million)	-	-	-
Net Profit Margin	-	-	-
Liquidity Ratio (X)	76.3x	0.2x	0.4x
Return on Equity (ROE)	-	-	-
Return on Assets (ROA)	-	-	-

Source: Audited Financial Statement of Saudi Power Transformers Company and the Company

7. Management's Discussion and Analysis of Financial Position and Results of Operations for Six Months Period Ending June 2013G and June 2012G

7.1 Consolidated Income Statement

Table 7-1: Consolidated income statement for the three-month period ending on March 31, 2013 and 2014

SAR 000 (Rounded Figures)	Three-month period ending on 31 March		
	2013 Unaudited	2014 Audited	Change % 2013-2014
Net sales	305,080	346,752	13.7%
Cost of sales	(229,992)	(267,127)	16.1%
Gross Margin	75,088	79,625	6.0%
Selling and Distribution expenses	(9,089)	(12,982)	42.8%
General and administrative expenses	(11,294)	(11,000)	(2.6%)
Operating income	54,705	55,643	1.7%
Other income, Net	(65)	1,933	-
Financial Charges	(2,794)	(2,592)	(7.2%)
Income before Interest in results of associate company, Non-controlling equity, and Zakat	51,846	54,984	6.1%
Interest in Results of Associate Company	(416)	(406)	(2.4%)
Income before Non-controlling equity, and Zakat	51,430	54,578	6.1%
Non-controlling equity	1,491	2,068	38.7%
Income before Zakat	52,921	56,646	7.0%
Zakat	(2,551)	(1,158)	(54.6%)
Net Income	50,370	55,488	10.2%

Source: Audited Consolidated Financial Statements

Table 7-2: Key Financial Indicators for the three-month period ending on 31 March 2013 and 2014

Key Financial Indicators	Three-month period ending on 31 March	
	2013 Unaudited	2014 Audited
Annual Growth of Revenue		13.7%
Annual Growth of Net Income		10.2%
Earnings before Financing Costs, Zakat, Depreciation and Amortization (SAR million)	59.0	63.5
Gross Profit Margin	24.6%	23.0%
Profit Margin before Financing Costs, Zakat, Depreciation and Amortization (SAR million)	19.2%	17.6%
Net Profit Margin	16.5%	16.0%
Liquidity Ratio (X)	1.6x	2.3x
Return on Equity (ROE)	9.3%	9.3%
Return on Assets (ROA)	4.0%	4.3%

Source: EIC

7.1.1 Sales

7.1.1.1 Sales as per Subsidiaries and Associates

Table 7-3: Sales as per Subsidiaries and Associates for the three-month period ending on 31 March 2013 and 2014

SAR 000 (Rounded Figures)	Three-month period ending on 31 March		
	2013 Unaudited	2014 Audited	Change % 2013-2014
Sales			
WESCOSA	172,804	192,204	11.2%
STC	132,277	152,908	15.6%
SPTC	-	1,640	-
Total Sales	305,080	346,752	13.7%

Source: EIC

WESCOSA Sales

WESCOSA sales increased 11.2% for the three-month period ending on 31 March from SAR 172.8 million in 2013 to SAR 192.2 million in 2014, mainly due to an increase in projects under contracts with Saudi Aramco contractors and the oil and gas sector related to Saudi Aramco project (Sadara) and petrochemicals projects (Kemya and PETROKEMYA) whose implementation started in 2013.

STC Sales

STC sales rose by 15.6% for the three-month period ending on 31 March from SAR 132.3 million in 2013 to SAR 152.9 million in 2014, mainly due to the increase in the sales of transformers to SEC, as well as higher production capacity after the inauguration of the new transformers plant (Plant No. 3).

SPTC Sales

SPTC started up operations in 2013 and made total sales of SAR 1.6 million for the three-month period ending on 31 March 2014.

7.1.1.2 Sales as per Divisions

Table 7-4: Sales as per divisions for the three-month period ending on 31 March 2013 and 2014

SAR 000 (Rounded Figures)	Three-month period ending on 31 March		
	2013 Unaudited	2014 Audited	Change % 2013-2014
Sales			
Transformers	234,194	252,574	7.8%
Switchgears	59,389	75,849	27.7%
Services	11,497	16,689	45.2%
SPTC	-	1,640	-
Total Sales	305,080	346,752	13.7%

Source: EIC

Sales of Transformers

Sales of transformers increased by 7.8% for the three-month period ending on 31 March from SAR 234.2 million in 2013 to SAR 252.6 million in 2014, mainly as a result of an increase of 14.5% in sales in MVA (Capacity) for the three-month period ending on 31 March from 2767 MVA in 2013 to 3168 MVA in 2014, along with a decrease of 5.8% in average selling price per MVA for the three-month period ending on 31 March from SAR 84.6 thousand in 2013 to SAR 79.7 thousand per MVA in 2014. It is worth mentioning that the average selling price of distribution transformers per MVA increased 4.8% for the three-month period ending on 31 March from SAR 79 thousand in 2013 to SAR 82.9 thousand in 2014, mainly due to improved demand and lower average capacity of transformers sold during the period, while the average selling price of power stations per MVA decreased 10.7% for the three-month period ending on 31 March from SAR 83.9 thousand in 2013 to SAR 74.9 thousand in 2014 as a result of higher demand for LV (400 volts) power stations whose prices are typically lower than LV (231 volts) power stations. The rise in volume of sales was due to the increase in the value of tenders offered by SEC to meet the increasing demand for electricity in KSA.

Sales of Switchgears

Sales of switchgears rose by 27.7% for the three-month period ending on 31 March from SAR 59.4 million in 2013 to SAR 75.8 million in 2014 as a result of the increase in projects under contracts with Saudi Aramco contractors and the oil and gas sector related to Saudi Aramco project (Sadara) and petrochemicals projects (Kemya and PETROKEMYA) whose implementation started in 2013.

Sales of Services

The sales of services increased 45.2% for the three-month period ending on 31 March from SAR 11.5 million in 2013 to SAR 16.7 million in 2014 as a result of higher sales of switchgears and the awarding of new projects to the Company by Saudi Aramco and the oil and gas sector through tenders.

Saudi Power Transformers Company (SPTC)

SPTC started up its commercial operations in 2013, and generated total sales of SAR 1.6 million for the three-month period ending on March 31, 2014.

7.1.1.3 Sales as per Transformer Business Units

Table 7-5: Sales as per Transformer Business Units for the three-month period ending on 31 March 2013 and 2014

SAR 000 (Rounded Figures)	Three-month period ending on 31 March		
	2013 Unaudited	2014 Audited	Change % 2013-2014
Distribution Transformers	103,314	126,715	22.7%
Substations	95,978	110,393	15.0%
Penalties of Other Transformers	35,952	15,752	(56.2%)
Penalties	(1,050)	(285)	(72.8%)
Total	234,194	252,574	7.8%

Source: EIC

The main products of the transformer business unit comprise distribution transformers and power stations, which jointly constituted 93.9% of total sales of the transformer business unit for the three-month period ending on 31 March 2014.

Sales of Distribution Transformers

Sales of distribution transformers rose 22.7% for the three-month period ending on 31 March from SAR 103.3 million in 2013 to SAR 126.7 million in 2014, mainly thanks to an increase of 17.0% in sales volume in MVA (Capacity) for the three-month period ending on 31 March from 1307 MVA in 2013 to

1529 MVA in 2014, as a result of an increase in purchase orders by SEC, along with the increase in the production capacity after the opening of the new transformer plant (Plant No. 3) in 2013, in addition to the increase of 4.8% in average selling price per MVA for the three-month period ending on 31 March from SAR 79 thousand to SAR 82.9 thousand in 2014.

Substations

Sales of power stations increased 15% for the three-month period ending on 31 March from SAR 96 million in 2013 to SAR 110.4 million in 2014, due to the increase of 28.8% in sales volume in MVA (Capacity) for the three-month period ending on 31 March from 1144 MVA in 2013 to 1474 MVA in 2014 to meet the increase in purchase order by SEC and the increase in the production capacity after the opening of the new transformer plant (Plant No. 3). In addition, average selling price per MVA for the three-month period ending on 31 March declined 10.7% from SAR 83.9 thousand in 2013 to SAR 74.9 thousand in 2014 due to higher demand for LV (400 volts) power substations whose prices are typically lower than LV (231 volts) substations.

Sales of Other Transformers

Sales of other transformers dropped 56.2% for the three-month period ending on 31 March from SAR 36.0 million in 2013 to SAR 15.8 million in 2014, mainly due to a decrease in the sales of power transformers on account of lower market for such transformers because of the delay in awarding some industrial projects.

Penalties

Penalties declined 72.8% for the three-month period ending on 31 March from SAR 1.1 million in 2013 to SAR 285 thousand in 2014. They mainly represent the provisions for penalties on delay in the exporting of distribution transformers to the Kuwaiti Ministry of Electricity and Water.

7.1.1.4 Sales as per Customer Segments

Table 7-6: Sales as per customer segments for the three-month period ending on 31 March 2013 and 2014

SAR 000 (Rounded Figures)	Three-month period ending on 31 March		
	2013 Unaudited	2014 Audited	Change % 2013-2014
Saudi Electricity Company (SEC)	117,659	224,895	91.1%
Saudi Aramco Contractors and Oil and Gas Sector	65,922	86,124	30.6%
Other Contractors	78,823	23,214	(70.5%)
Other Clients	4,579	8,830	92.8%
Total Local Sales	266,983	343,063	28.5%
Exports	38,097	2,049	(94.6%)
Subtotal	305,080	345,112	13.1%
SPTC	-	1,640	-
Company Total Sales	305,080	346,752	13.7%

Source: EIC

Sales to SEC

Sales to the Saudi Electricity Company (SEC) for the three-month period ending on 31 March 2014 accounted for 64.9% of the Company's total sales. The sales to SEC increased 91.1% for the three-month period ending on 31 March from SAR 117.7 million in 2013 to SAR 224.9 million in 2014, as a result of the increase in the offered tenders and purchase orders issued by SEC due to higher demand for electricity in KSA.

Sales to Saudi Aramco Contractors and the Oil and Gas Sector

The sales to Saudi Aramco contractors and the oil and gas sector represented 24.8% of total sales. Sales to Saudi Aramco contractors and the oil and gas sector rose by 30.6% for the three-month period ending on 31 March from SAR 65.9 million in 2013 to SAR 86.1 million in 2014, as a result of the Saudi Aramco-related project in the oil and gas sector (Sadara), whose implementation started in 2013. Sadara contributed to an increase of around SAR 15 million in sales.

Sales to Other Contractors

Sales to other contractors decreased 70.5% for the three-month period ending on 31 March from SAR 78.8 million in 2013 to SAR 23.2 million in 2014, as the Company allocated its production capacity to meet the increase in the purchase orders of transformers by SEC.

Exports

Exports dropped 94.6% for the three-month period ending on 31 March from SAR 38.1 million in 2013 to SAR 2.0 million in 2014 due to several factors, the most important of which are higher demand for the Company products locally, particularly by SEC, in addition to the completion of the supply of distribution transformers to the Kuwaiti Ministry of Electricity and Water.

Sales to Other Clients

Sales to other clients soared 92.8% for the three-month period ending on 31 March from SAR 4.6 million in 2013 to SAR 8.8 million in 2014, as a result of the commencement of the implementation of two mega projects related to subsidiaries of SABIC (Kemya and PETROKEMYA).

7.1.2 Gross Profit Margin

7.1.2.1 Gross Profit Margin as per Subsidiaries and Associates

Table 7-7: Gross profit margin as per subsidiaries and associates for the financial years from 2011 and 2013 the three-month period ending on 31 March 2013 and 2014

SAR 000 (Rounded Figures)	Three-month period ending on 31 March		
	2013 Unaudited	2014 Audited	Change % 2013-2014
Gross Profit			
WESCOSA	50,088	51,487	2.8%
STC	25,229	29,302	16.1%
SPTC	(228)	(1,163)	410.0%
Total Gross Profit	75,088	79,625	6.0%
Gross Profit Margin			
WESCOSA	29.2%	26.7%	
STC	19.1%	19.2%	
SPTC	-	(70.9%)	
Company's Gross Profit Margin	24.6%	23.0%	

Source: Audited Financial Statements of Subsidiaries and the Company

WESCOSA Gross Profit Margin

WESCOSA gross profit margin decreased for the three-month period ending on 31 March from 29.2% in 2013 to 26.7% in 2014, mainly due to the decrease in the sales of special application transformers on account of the delay in the awarding of some industrial projects that generate higher profit margin,

as the sales of such transformers dropped 56.3% for the three-month period ending on 31 March from SAR 32.3 million in 2013 to SAR 14.1 million in 2014.

Gross Profit Margin of STC

Gross Profit Margin of STC marginally increased for the three-month period ending on 31 March from 19.1% in 2013 to 19.2% in 2014.

Gross Profit/Loss Margin of SPTC

SPTC incurred a total loss of SAR 1.2 million with a loss margin of 70.9% for the three-month period ending on 31 March 2014, as the company has started operations recently and the approval procedures by its key clients, most important of which is SEC, have not been completed. It is worth mentioning that the company completed approval procedures at SEC in the second quarter of 2014.

7.1.2.2 Gross Profit Margin as per Business Units

Table 7-8: Gross profit margin as per business units for the financial years from 2011 and 2013 the three-month period ending on 31 March 2013 and 2014

SAR 000 (Rounded Figures)	Three-month period ending on 31 March		
	2013 Unaudited	2014 Audited	Change % 2013-2014
Gross Profit			
Transformers	49,156	48,264	(1.8%)
Switchgears	18,454	22,351	21.1%
Services	7,707	10,173	32.0%
SPTC	(228)	(1,163)	410.0%
Gross Profit	75,088	79,625	6.0%
Gross Profit Margin			
Transformers	21.0%	19.1%	
Switchgears	31.1%	29.5%	
Services	67.0%	61.0%	
SPTC	-	(70.9%)	
Gross Profit Margin	24.6%	23.0%	

Source: EIC

Gross Profit Margins of Transformers

Gross profit margins of transformers declined for the three-month period ending on 31 March from 21% in 2013 to 19.1% in 2014, as a result of lower profit margin of WESCOSA, in addition to the Company focusing on meeting the increasing purchase orders by SEC, which are featured with a lower profit margin. WESCOSA's profit margin declined on account of lower sales of special application transformers due to the delay in the awarding of some industrial projects that generate higher profit margin.

Gross Profit Margin of Power Switchgears

Gross profit margin of switchgears decreased for the three-month period ending on 31 March from 31.1% in 2013 to 29.5% in 2014, as a result of lower sales of cable bus courses that are featured with a higher profit margin.

Gross Profit Margin of Services

Gross profit margin of services dropped for the three-month period ending on 31 March from 67% in 2013 to 61% in 2014, mainly due to the increase in maintenance contracts that include material provision compared to the maintenance contracts that do not include material provision. It is worth mentioning that maintenance contracts that include material provision generate lower profit margins compared to the maintenance contracts that do not include material provision.

7.1.3 Selling and Distribution Expenses

Selling and distribution expenses increased 42.8% for the three-month period ending on 31 March from SAR 9.1 million in 2013 to SAR 13 million in 2014, mainly due to higher staff costs on account of the annual salary increase and the employment of sales staff by SPTC.

Other expenses increased also due to the budget allocated by the Company to develop some of its products, mainly the development of transformers using aluminum instead of cooper, the conducting of special inspections to develop distribution transformers that fulfill the standards approved in Qatar and the Sultanate of Oman, and the conducting of special inspections for small power transformers.

Selling and distribution expenses include the provision for doubtful debts. It is worth mentioning that the Company collected some of doubtful receivables in 2013, which caused the reversal of the accounting entry for the provision for doubtful debts leading to a decrease of SAR 1.7 million in the provision for the three-month period ending on 31 March 2013. Provision for doubtful debt increased SAR 601 thousand for the three-month period ending on 31 March 2014 due to the increase in trade receivables, which led to higher provision that is calculated using the policy adopted for the calculation of doubtful debts.

7.1.4 General and Administrative Expenses

Staff cost declined 2.6% for the three-month period ending on 31 March from SAR 11.3 million in 2013 to SAR 11 million in 2014 on account of a decrease in office expenses that include printing and photocopying expenses, along with the decrease in other expenses of SPTC, as the most of other expenses resulting from the training and qualification of employees was incurred before the start of its operations in 2013.

7.1.5 Other Income

The Company generated other Income of SAR 1.9 million for the three-month period ending on 31 March 2014, against losses of SAR 65 thousand for the three-month period ending on 31 March 2013, mainly due to the receiving of a part of insurance claims of SAR 2.1 million for a fire incident in a sub-warehouse and a back-up painting line connected to Transformer Plant No. 4 in 2011. The compensation amount fully covered the damage caused by the fire incident.

7.1.6 Financial Charges

Financial charges declined 7.2% for the three-month period ending on 31 March from SAR 2.8 million in 2013 to SAR 2.6 million in 2014, as a result of lower bank fees on account of the decrease in the utilization of bank letters of guarantee.

7.1.7 Non-controlling Interest in Profit/Loss

Non-controlling interest in profit/loss increased 38.7% for the three-month period ending on 31 March from SAR 1.5 million in 2013 to SAR 21 million in 2014, as a result of an increase in the losses made by SPTC that started up its operations in 2013 making a net loss of SAR 4.2 million in the first quarter of 2014.

7.1.8 Zakat and Income Tax

Table 7-9: Zakat and income tax for the three-month period ending on 31 March 2013 and 2014

SAR 000 (Rounded Figures)	Three-month period ending on 31 March		
	2013 Unaudited	2014 Audited	Change % 2013 - 2014
Opening Balance, January 1	9,451	16,444	74.0%
Provision for the year	2,551	1,158	(54.6 %)
Payments during the year	-	-	-
Ending balance	12,002	17,602	46.7%

Source: Audited Consolidated Financial Statements

Zakat provision declined during the three-month period ending on 31 March 2014 by 54.6%, compared to the corresponding period in 2013, from SAR 2.6 million to SAR 1.2 million. This is due to recognition of a high provision amount by the company at the beginning of 2013. The amount of provision was re-assessed during the first quarter of 2014, based on the Zakat declaration submitted to the Department of Zakat and Income Tax. As a result, the provision surplus was reversed in the first quarter of 2014.

7.1.9 Net Income

Net income rose by 10.2% during the three-month period ending on 31 March 2014, compared to the same period in 2013, from SAR 50.4 million SAR 55.5 million, as a result of the increase in sales and other earnings, in addition to declined Zakat expenses

7.2 Statement of Financial Position

Table 7-10: Statement of consolidated financial position for the three-month period ending on 31 March 2013 and 2014

SAR 000 (Rounded Figures)	Three-month period ending on 31 March		
	2013 Unaudited	2014 Audited	Change % 2013 - 2014
Current assets			
Bank balances and cash	106,665	73,248	(31.3 %)
Receivables and prepayments	429,714	476,901	11.0%
Inventory	450,472	416,446	(7.6 %)
Total current assess	986,852	966,594	(2.1 %)
Non-current assets			
Investment in associates	3,963	3,428	(13.5 %)
PP&E	262,196	306,370	16.8%
Intangible assets	7,231	8,656	19.7 %
Total non-current assets	273,391	318,454	16.5%
Total assets	1,260,243	1,285,048	2.0%
Liabilities, shareholders' equity and minority interest			
Current liabilities			

SAR 000 (Rounded Figures)	Three-month period ending on 31 March		
	2013 Unaudited	2014 Audited	Change % 2013 - 2014
payables, notes payable and amounts payable	236,038	283,750	20.2 %
Guarantees provision and punitive damages	18,110	18,095	(0.1 %)
Short-term loans	367,450	71,801	(80.5 %)
Current part of long-term loans	-	30,850	-
Zakat provision	12,002	17,602	46.7%
Total Current liabilities	633,600	422,099	(33.4 %)
Non-current liabilities			
Long-term loans	24,000	212,859	786.9%
End-of-service benefits	49,105	53,474	8.9%
Total non-current liabilities	73,105	266,333	264.3%
Total liabilities	706,705	688,432	(2.6 %)
Shareholders' equity			
Capital	350,000	450,000	28.6%
Proposed increase in capital	-	-	-
Regulatory reserve	23,185	9,781	(57.8 %)
Retained earnings	114,848	101,483	(11.6 %)
Proposed dividends	54,000	35,000	(35.2 %)
Total shareholders' equity	542,033	596,264	10.0%
Non-controlling interest	11,505	351	(96.9 %)
Total shareholders' equity and minority interest	553,538	596,616	7.8%
Total liabilities and shareholders› equity	1,260,243	1,285,048	2.0%

Source: Audited Consolidated Financial Statements

7.2.1 Cash and Cash Equivalent

Cash and cash equivalent decreased by 31.3% during the three-month period ending on 31 March 2014, compared to the corresponding period in 2013, from SAR 73.2 million to SAR 106.7 million. The high amount of CCE in the first quarter of 2013 is due to depositing part of the capital of SPTC in the current account. This part of capital was not used because company operations had not been started in the first quarter of 2013, in addition to collection by STC of a large part of its dues from SEC in return for handing over a number of purchase orders at the end of the first quarter of 2013. The Company used cash in its operations and in repayment of short-term loans.

7.2.2 Operating Working Capital

Operating working capital declined 5.5% in the three-month period ending on 31 March 2014, compared to the same period in 2013, from SAR 626 million to SAR 591.5 million, due to decreased inventory accompanied by an increase in notes payable, fees payable, and trade payables.

7.2.2.1 Trade Receivables

Table 7-11: Trade receivables and others for the three-month period ending on 31 March 2013 and 2014.

SAR 000 (Rounded Figures)	The period of three-month period ending on 31 March		
	2013 Unaudited	2014 Audited	Change % 2013-2014
Trade receivables, net	376,139	418,897	11.4%
Advance to suppliers	19,572	21,719	11.0%
Prepaid expenses	7,537	6,532	(13.3 %)
Due from shareholders	4,055	4,656	14.8%
Due from Related Parties	5,286	6,211	17.5%
Other	17,125	18,886	10.3%
Total	429,714	476,901	11.0%

Source: Audited Consolidated Financial Statements

Trade Receivables

Trade receivables rose by 11.4% during the three-month period ending on 31 March 2014, compared to the same period in 2013, from SAR 376.1 million to SAR 418.9 million, in line with the increase in sales in the last quarter of 2013 and the first quarter of 2014. Meanwhile, the number of days for collection of trade receivables in the three-month period ending on 31 March 2014 decreased to 125 days, compared to 127 days in the corresponding period of 2013, due to the increase in sales to SEC which rose by 91.1 % during the three-month period ending on 31 March 2014, compared to the corresponding period in 2013, from SAR 117.7 million to SAR 224.9 million.

Advances to suppliers

Advances to suppliers increased by 11% during the three-month period ending on 31 March 2014, compared to the same period in 2013, from SAR 19.6 million to SAR 21.7 million, as a result of purchase of plant and equipment.

Prepaid expenses

Prepaid expenses decreased by 13.3% during the three-month period ending on 31 March 2014, compared to the same period in 2013, from SAR 7.5 million to SAR 6.5 million. This decrease is attributable to the pre-operating expenses of the new transformers plant (Plant No. 3) of the STC in the first quarter of 2013, which was amortized during 2013.

Due from shareholders

Amounts due from shareholders rose by 14.8 % during the three-month period ending on 31 March 2014, compared to the corresponding period in 2013, from SAR 4.1 million to SAR 4.7 million, due to the high expenses of the IPO, which selling shareholders incurred.

Dues from related parties

Amounts due from related parties increased by 17.5% during the three-month period ending on 31 March 2014, compared to the corresponding period in 2013, from SAR 5.3 million to SAR 6.2 million, which is due to an increase in sales and services provided to related parties, most importantly sales and services provided to Al-Quraishi Electrical Services of Saudi Arabia, whose amount rose by 256.4% during the three-month period ending on 31 March 2014, compared to the corresponding period in 2013, from SAR 1.3 million to SAR 4.7 million.

Other receivables

Other receivables increased by 10.3% during the three-month period ending on 31 March 2014, compared to the corresponding period in 2013, from SAR 17.1 million to SAR 18.9 million, due to higher claims for refund of customs duties resulting from delays in the issuance of certificates of customs exemption by the Ministry of Commerce and Industry.

7.2.2.2 Inventory

Table 7-12: Inventory for the three-month period ending on 31 March 2013 and 2014

SAR 000 (Rounded Figures)	Three-month period ending on 31 March		
	2013 Unaudited	2014 Audited	Change % 2013-2014
Raw materials	270,991	265,910	(1.9%)
Goods in transit	57,227	52,521	(8.2%)
Under-manufacturing goods	77,803	77,245	(0.7%)
Finished goods	44,101	31,244	(29.2%)
Spare parts and consumables	14,027	14,237	1.5%
Total inventory	464,149	441,158	(5.0%)
Provision for slow moving inventory	(13,676)	(24,712)	80.7%
Net inventory	450,472	416,446	(7.6 %)

Source: Audited Consolidated Financial Statements

Net inventory declined by 7.6 % during the three-month period ending on 31 March 2014, compared to the corresponding period in 2013, from SAR 450.5 million to SAR 416.4 million, as a result of the decline in the balance of finished goods. The high finished goods balance in the first quarter of 2013 was due to the accumulation of finished goods manufactured for the Sadara project as a result of non-completion of the final examination by the client at that time. This is in addition to the low inventory of raw materials as a result of starting the use of raw materials purchased for the new transformers plant (Plant No. 3), which began commercial production in April of 2013, as raw materials were made available before the start of the operation.

7.2.2.3 Current liabilities

Table 7-13: Trade payables and other for the three-month period ending on 31 March 2013 and 2014

SAR 000 (Rounded Figures)	Three-month period ending on 31 March		
	2013 Unaudited	2014 Audited	Change % 2013-2014
Trade payables	111,176	120,446	8.3%
Advances from customers	45,335	35,472	(21.8 %)
Accrued expenses and other payables	48,759	67,760	39.0%
Notes payable	16,870	49,151	191.4%
Due to Affiliates	13,898	10,921	(21.4 %)
Total	236,038	283,750	20.2 %

Source: Audited Consolidated Financial Statements

Trade payables

The balance of trade payables increased by 8.3% in the three-month period ending on 31 March 2014, compared to the corresponding period in 2013, from SAR 111.2 million to SAR 120.4 million, this is attributable to the high volume of purchased material to meet purchase orders received.

Advances by customers

Advances by customers declined by 21.8% in the three-month period ending on 31 March 2014, compared to the same period in 2013, from SAR 45.3 million to SAR 35.5 million, as a result of the Company's focus on meeting purchase orders of SEC that does not make prepayments.

Advanced and other payables

Advanced and other payables rose by 39% during the three-month period that ended on 31 March 2014, compared to the same period of 2013, from SAR 48.8 million to SAR 67.8 million, as a result of the high expenses due to staff due to the transfer of guaranty of 425 employees to the Company, which increased expenses related to air tickets and amounts in lieu of leave, in addition to the increase in bonuses payable resulting from the increased sales.

Notes payables

The amount of notes payable rose by 191.4% during the three-month period ending on 31 March 2014, compared to the corresponding period of 2013, from SAR 16.9 million to SAR 49.2 million, as the Company started to finance purchases through re-financing letters of credits (notes payable) instead of short-term loans to take advantage of the lower cost.

Due to Affiliates

Amounts due to affiliates decreased by 21.4% during the three-month period ending on 31 March 2014 of SAR 13.9 million to SAR 10.9 million, due to payment by SPTC of the installments of technical assistance fees to (CG power).

7.2.3 Non-current assets

Non-current assets rose by 16.5% during the three-month period ending on 31 March 2014, compared to the same period in 2013, from SAR 273.4 million to SAR 318.5 million, due to the start of the operations of the SPTC and the new transformers plant (Plant No. 3) and the new cable tray plant.

7.2.3.1 Property, Plant and Equipment (PP&E)

Table 7-14: Change in the net book value of PP&E for the three-month period ending on 31 March 2013 and 2014

SAR 000 (Rounded Figures)	Three-month period ending on 31 March		
	2013 Unaudited	2014 Audited	Change % 2013-2014
Company-owned land parcels	13,375	40,282	201.2%
Structures built on the land parcels and improvements made to rented properties	82,044	133,395	62.6%
Equipment and machinery	34,975	82,000	134.5%
Construction work under implementation	126,226	43,489	(65.5 %)
Vehicles and furniture	5,576	7,204	29.2 %,
Total	262,196	306,370	16.8%

Source: Audited Consolidated Financial Statements

Company-owned land parcels

Company-owned land parcels increased by 201.2% during the three-month period ending on 31 March 2014, compared to the same period in 2013, from SAR 13.4 million to SAR 40.3 million, due to the purchase of al Qayrawan land parcel in Dammam city, next to the First Industrial City in order be used for building workers housing for a total of SAR 27 million.

Structures built on rented land parcels and improvements to rented properties

The value of structures built on rented land parcels and improvements to rented properties rose by 62.6% during the three-month period ending on 31 March 2014, compared to the corresponding period in 2013, from SAR 82 million to SAR 133.4 million, as a result of the transfer of an amount previously recorded under the item “Construction work under implementation” to the item “Structures built on rented land parcels and improvements to rented properties”. This amount mainly includes the building of the SPTC (SAR 47 million), in addition to the new transformers plant (Plant No. 3) and the new cable tray plant.

Plant and equipment

The value of plant and equipment increased by 134.5% during the three-month period ending on 31 March 2014, compared to the corresponding period in 2013, from SAR 35 million to SAR 82 million, as a result of the transfer of an amount previously recorded under the item “Construction work under implementation” to the item “plant and equipment”. This amount mainly includes the plants and equipment of the SPTC (SAR 34. millions), in addition to the new equipment for the new transformers plant (Plant No. 3)

Construction work under implementation

Construction work under implementation declined by 65.6% during the three-month period ending on 31 March 2014, compared to the same period in 2013, from SAR 126.2 million to SAR 43.5 million, due to the completion of the construction of the new plant of the SPTC and the new transformers plant (Plant No. 3) and the transfer of relevant cost to the item “Property, plant and equipment”.

Vehicles and furniture

The item "vehicles and furniture" rose by 29.2 % during the three-month period ending on 31 March 2014, compared to the corresponding period in 2013, from SAR 5.6 million to SAR 7.2 million, due to the purchase of the materials needed for buildings whose construction was completed.

7.2.3.2 Short-term Loans

The following table contains a summary of short-term loans utilized by the company during the three-month period ending on 31 March 2014.

Table 7-15: Summary of Company's short-term loans for the three-month period ending on 31 March 2013 and 2014.

Short-term Loans	Three-month period ending on 31 March			
SAR 000 (Rounded Figures)	Facilities available 2013	Amount utilized 2013	Facilities available 2014	Amount utilized 2014
Banque Saudi Fransi	86,000	95,185	86,000	10,000
National Commercial Bank	150,000	77,433	150,000	18,035
Samba Financial Group	100,000	60,734	100,000	9,000
Saudi British Bank	30,000	-	30,000	-
Riyadh Bank	100,000	43,000	100,000	5,000
Al Rajhi bank,	150,000	81,098	150,000	8,766
The Saudi Hollandi Bank *	80,000	10,000	80,000	-
Gulf International Bank *	187,500	-	187,500	21,000
The Saudi Investment Bank *	50,000	-	50,000	-
Re-financing letters of credit	-	-	-	-
Total	933,500	367,450	933,500	71,801

Source: EIC

* Note: Short-term credit facilities and L/Cs and L/Gs facilities are under the same limits.

The balance of short-term loans used fell by 80.5% during the three-month period ending on 31 March 2014, compared to the same period of 2014, from SAR 367.5 million to SAR 71.8 million as a result of reliance on re-financing of notes payables for its lower cost and on long-term loans for financing working capital and capital expenditures. It should be noted that part of the needs of the Company's capital expenditures was temporarily financed by short-term loans until the completion of negotiations on the terms of long-term loans agreements. Accordingly, these short-term loans used during the transitional period were repaid upon disbursement of long-term loans for the sake of efficient liquidity management. The Company used 8.7% of short-term loans available as at the end of the first quarter of 2014, compared to 45% utilized in the first quarter of 2013.

7.2.3.3 Summary of Short- and Long-term Bank Facilities

The total amount of short- and long-term facilities granted to the company by local banks is SAR 2.25 billion. The following table summarizes these facilities in addition to relevant collateral;

Table 7-16: Summary of short- and long-term bank facilities and relevant collateral

The World Bank	Borrower Firm	Credit facilities (real) as of 31 March 2014 (SAR)	Unused facilities (real) as of 31 March 2014 (SAR)
Al Rajhi Bank	A joint credit limit between STC and WESCOSA	300,000,000	116,458,771
Riyadh Bank	STC	77,000,000	7,105,753
	WESCOSA	122,500,000	12,776,944
Samba Financial Group	STC	160,000,000	52,468,400
	WESCOSA	205,000,000	74,865,943
Saudi Investment Bank	A joint credit limit between STC and WESCOSA	50,000,000	-
National Commercial Bank	STC	205,000,000	31,452,994
	WESCOSA	195,000,000	34,083,841
Banque Saudi Fransi	STC	70,000,000	3,977,714
	WESCOSA	85,000,000	24,074,292
	SPTC	220,100,000	35,120,000
Saudi British Bank	A joint credit limit between STC, WESCOSA and SPTC	181,500,000	42,160,847
The Saudi Hollandi Bank	WESCOSA	137,000,000	16,622,707
Gulf International Bank	STC	93,750,000	27,747,497
	WESCOSA	93,750,000	35,046,190
SIDF	SPTC	56,900,000	47,959,000
Total		2,252,500,000	561,920,893

Source: EIC

For details about the type of available facilities and collateral, please refer to table 6-34: Summary of short- and long-term bank facilities granted to the company and relevant collateral of the Section (6-1 -16) of this prospectus, as no change has occurred to the type of facilities available and collateral as shown in the table since then.

7.2.4 Non-current Liabilities

Non-current liabilities rose by 264.3% during the three-month period ending on 31 March 2014, compared to the corresponding period in 2013, from SAR 73.1 million to SAR 266.3 million, as the Company completed the negotiation on long-term loans agreements in June 2013. Accordingly, long-term loans, including the loan granted by SIDF, were gradually disbursed to the Company during the second half of 2013, as well as to increased provision for end-of-service benefits.

7.2.4.1 Long-term Loans

Table 7-17: Long-term loans for the three-month period ending on 31 March 2013 and 2014

SAR 000 (Rounded Figures)	Three-month period ending on 31 March			
	Facilities available 2013	The amount used 2013	Facilities available 2014	The amount used 2014
Samba Financial Group	-	-	50,000	50,000
Al Rajhi bank	-	-	100,000	100,000
Banque Saudi Fransi	-	-	29,100	21,750
Saudi British Bank	24,000	24,000	24,000	24,000
SIDF	-	-	56,900	47,959
Total	24,000	24,000	260,000	243,709

Source: EIC

Long-term loans utilized rose by 915.5% during the three-month period ending on 31 March 2014, compared to the same period of 2013, from 24 million to SAR 243.7 million, as a result of the Company's financing its capital expenditures through long-term loans.

Table 7-18: Repayment schedule of long-term loans as of 31 March 2014

SAR 000 (Rounded Figures)	Repayment of loan principle
Within one year	30,850
Within two years.	51,300
Within three years	52,300
More than three years and up to five years	86,675
More than five years	22,584
Total	243,709

Source: EIC

7.2.4.2 End-of-Service Benefits

Provision for end-of-service benefits rose by 8.9% during the three-month period ending on 31 March 2014, compared to the corresponding period of 2013, from SAR 49.1 million to SAR 53.5 million, as a result of promotion of a number of the Company's employees to occupy top management positions, the most important of which are Executive Vice President for Engineering and Operations, Executive Vice President for Finance and I.T, Vice President for Operations and Vice President for Engineering. This has resulted in the increase of the provision due to long service of employees appointed to these positions, in addition to annual salary increases.

7.2.4.3 Shareholders' Equity

Table 7-19: Shareholders' equity for the three-month period ending on 31 March 2013 and 2014

SAR 000 (Rounded Figures)	Three-month period ending on 31 March		
	2013 Unaudited	2014 Audited	Change % 2013-2014
Capital	350,000	450,000	28.6%
Statutory reserves	23,185	9,781	(57.8 %)
Retained earnings	114,848	101,483	(11.6 %)
Proposed dividends	54,000	35,000	(35.2 %)
Minority interest	11,505	351	(96.9 %)
Total	553,538	596,616	7.8%

Source: Audited Consolidated Financial Statements

Shareholders' equity increased by 7.8% during the three-month period ending on 31 March 2014 as a result of the rise in net income.

Capital

The Company proposed an SAR 100 million increase in capital through the capitalization of reserves and retained earnings. The General Assembly of the Company held on 10/3/2014 approved the increase.

Statutory Reserves

Statutory reserve fell by 57.8% during the three-month period ending on 31 March 2014, compared to the same period in 2013, from SAR 3.2 million to SAR 9.8 million, as a result of capitalization of SAR 30 million from regulatory reserve as part of the proposed capital increase. This was done by adding SAR 16.6 million, which represents 10% of the net income for the year 2013, to regulatory for the statutory reserve to reach SAR 39.8 million before the Company initiates the capitalization process.

Retained earnings

Retained earnings dropped by 11.6% during the three-month period ending on 31 March 2014, compared to the corresponding period in 2013, from SAR 114.8 million to SAR 101.5 million, as a result of capitalization of SAR 70 million of net income as part of the proposed capital increase.

Proposed dividends

Proposed dividends during the three-month period ending on 31 March 2014 totaled SAR 35 million, which represent proposed interim dividends for 2013.

Non-controlling interest

Non-controlling interest decreased by 96.9% during the three-month period ending on 31 March 2014, compared to the same period of 2013, from SAR 11.5 million to SAR 351 thousand, as a result of settlement of losses incurred by SPTC, which amounted to SAR 4.2 million during the three-month period ending on 31 March 2014.

7.2.5 Contingent Liabilities

7.2.5.1 Contingent Liabilities, Obligations and Other Off-balance Sheet Items

7.2.5.1.1 Contingent liabilities

Table 7-20: Letters of credit, letters of guarantee, bank guarantees, and facilities to hedge against FX volatility risk of in FX SWAPs as of 31 March 2014

SAR 000 (Rounded Figures)	Total facilities	Utilized	Unutilized	Maturity date
Banque Saudi Fransi	260,000	31,422	228,578	31 September 2014
National Commercial Bank	250,000	47,503	202,497	31 July 2015
Samba Financial Group	215,000	68,334	146,666	30 April 2015
Saudi British Bank	127,500	18,161	109,339	30 November 2014
Riyadh Bank	99,500	14,883	84,617	6 November 2015
Al Rajhi bank	50,000	7,693	42,307	17 September 2014
The Saudi Hollandi Bank*	137,000	16,623	120,377	17 April 2015
Gulf International Bank *	187,500	41,794	145,706	27 October 2014
Saudi Investment Bank *	50,000	-	50,000	31 October 2014
Total	1,376,500	246,412	1,130,088	

Source: EIC

* Note: Short-term credit facilities and L/Cs and L/Gs facilities are under the same limits.

In the first quarter of 2014, the value of letters of credit and guarantee facilities of the Company reached SAR 1,376.5 million, and SAR 246.4 million of this was used.

Commitments

EIC concluded forward contracts to purchase certain materials on the basis of its anticipated needs. The value of the contracts totals SAR 74.3 million in 2014. The table below includes the details of these commitments by material type:

Table 7-21: Commitments under forward contracts as of 31 March 2014

SAR 000 (Rounded Figures)	31 March 2014
Copper	15,016
Silicon Steel	26,278
Over-voltage protection devices	4,880
Oil	10,511
Miscellaneous	17,644
Total	74,329

Source: Audited Consolidated Financial Statements

The members of the Board of Directors approved an amount of SAR 79 million for future capital expenditures for PP&E and information technology.

7.2.5.2 Other Issues

The assets of EIC and its associates are not encumbered by any real estate pledge, other pledges or rights, except the pledge over assets of the SPTC provided as collateral for the loan granted to the Company by SIDF.

7.3 Related Parties Dealings

In the context of its activities, the Company conducts operations in KSA with related parties including (CG power), CG Arabia, Al-Toukhi Establishment for Industry, Trading and Contracting and Al-Quraishi Electrical Services of Saudi Arabia.

The following table contains a summary of major operations and balances for the three-month period ending on 31 March 2013 and 2014:

Table 7-22: Operations and balances of related parties for the three-month period ending on 31 March 2013 and 2014.

The balances of the relationship	Three-month period ending on 31 March		
SAR 000 (Rounded Figures)	2013 Unaudited	2014 Audited	Change % 2013-2014
Operations			
Sales	3,936	4,111	4.4%
Cash transferred	-	-	-
Cash received	6,406	5,885	(8.1 %)
Technical assistance fees	7,321	4,882	(33.3 %)

Source: Audited Consolidated Financial Statements

Sales to related parties

Sales to related parties increased by 4.4% during the three-month period ending March 31, 2014, compared to the same period in 2013, from SAR 3.9 million to SAR 4.1 million, the main reason being the increase in sales to Al-Quraishi Electrical Services of Saudi Arabia.

Cash received

The balance of cash received is due to the cash that SPTC received from CG Arabia. This amount is expected to be paid back in 2014. Cash received dropped by 8.1% during the three-month period ending on 31 March 2014, compared to the corresponding period in 2013, from SAR 6.4 million to SAR 5.9 million as a result of repayment of part of the balance.

Technical assistance fees

Technical assistance fees decreased by 33.3% during the three-month period ending on 31 March 2014 compared to the corresponding period in 2013, from SAR 7.3 million to SAR 4.9 million, due to payment of these fees installments by the Company.

For more details on the amounts due from related parties, please refer to section "Trade receivables and others", for more details on amounts due to related parties, please refer to section "Current liabilities"

7.4 Consolidated Cash Flows

Table 7-23: Statement of consolidated cash flows for the three-month period ending on 31 March 2013 and 2014

SAR 000 (Rounded Figures)	Three-month period ending on 31 March	
	2013 Unaudited	2014 Audited
Income before minority interest and Zakat	51,430	54,578
Depreciation	3,868	5,319
Amortization	516	626
End-of-Service Gratuity, net	991	(1,239)
Share of results in associates	416	406
Financial charges	2,794	2,592
Loss on disposal of PP&E	-	-
Provision for technical warranties and punitive charges	(6,164)	(711)
Total	53,851	61,573
Changes in working capital		
Accounts receivable	21,354	(50,340)
Inventory	30,159	16,858
Accounts payable	(33,046)	29,561
Total	72,319	57,651
Financial charges	(2,794)	(2,592)
Paid Zakat	-	-
Net cash from operational activities	69,524	55,059
Investment activities	-	-
Purchase of PP&E	(20,181)	(7,306)
Intangible assets	-	-
Net cash used in investment activities	(20,181)	(7,306)

SAR 000 (Rounded Figures)	Three-month period ending on 31 March	
	2013 Unaudited	2014 Audited
Financing activities	-	-
Non-controlling equity	(124)	(453)
Proceeds from long-term loans	3,509	1,519
Bonuses paid to board of directors	-	-
Net change in short-term loans	(3,185)	(11,199)
Net change in shareholders' accounts	-	-
Paid dividends	-	-
Net cash (used in)/ from financing activities	201	(10,133)
Increase/decrease in bank balances and cash	49,544	37,620
Bank balances and cash at the beginning of the year	57,121	35,627
Bank balances and cash of the subsidiary	-	-
Bank balances and cash at the end of the year	106,665	73,248

Source: Audited Consolidated Financial Statements

Cash flows from operating activities

Cash flows from operating activities dropped during the three-month period ending on 31 March from SAR 69.5 million to SAR 55.1 million in 2014. This is mainly due to negative impact of changes in working capital, specifically the increase of trade payables, whereby they rose by 11.4% during the three-month period ending on 31 March 2014 compared to the same period in 2013, from SAR 376.1 million to SAR 418.9 million, as a result of the higher sales in the last quarter of 2013 and the first quarter of 2014.

Cash flows used in investment activities

Net cash used in investment activities declined during the three-month period ending on 31 March 2014, compared to the same period in 2013, from SAR 20.2 million to SAR 7.3 million, as a result of reduced expenditures on PP&E due to the completion of the construction of a new transformers plant (Plant No. 3) which was put into operation in April 2013.

Cash flows used in/from financing activities

Cash flows from financing activities declined from SAR 201 thousand in the first quarter of 2013, to net cash used in financing activities of SAR 10.1 million in the first quarter 2014, due to repayment of short-term loans.

Cash flows from non-controlling interest are related to the (49%) stake of CG Power in the capital of SPTC. The cash flows used in financing activities of minority interest in the first quarter of 2014 amounted to SAR 453 thousand, compared to SAR 124 thousand in the same period of 2013, which was due to losses incurred by SPTC.

7.5 Summary of the Financial Statements of Associates

7.5.1 Summary of the Financial Statements of STC

The table below demonstrates audited financial statements of STC for the three-month period ending on 31 March 2013 and 2014

Table 7-24: Summary of the income statement of STC for the three-month period ending on 31 March 2013, and 2014

SAR 000 (Rounded Figures)	Three-month period ending on 31 March		
	2013 Unaudited	2014 Audited	Change % 2013-2014
Net sales	132,277	152,908	15.6 %
Cost of sales	(107,418)	(123,665)	15.1 %
Gross Margin	24,858	29,243	17.6%
General and administrative expenses	(4,126)	(4,786)	16.0 %
Selling and Distribution expenses	(3,286)	(3,516)	7.0%
Operating income	(2,285)	(1,548)	(32.3 %)
Net income	15,162	19,394	27.9%

Source: EIC

Table 7-25: Summary of the balance sheet for the three-month period ending on 31 March 2013 and 2014

SAR 000 (Rounded Figures)	Three-month period ending on 31 March		
	2013 Unaudited	2014 Audited	Change % 2013-2014
Current assets	447,286	464,799	3.9%
Non-current assets	60,040	70,283	17.1%
Total assets	507,325	535,082	5.5%
Current liabilities	298,683	264,879	(11.3 %)
Non-current liabilities	22,220	68,667	209.0%
Total liabilities	320,903	333,546	3.9%
Capital	102,750	102,750	-
Regulatory reserve	37,551	42,139	13.8%
Retained earnings	31,121	41,647	33.8%
Proposed dividends	15,000	15,000	-
Total partners 'equity	186,422	201,536	8.1%
Total liabilities and partners' equity	507,325	535,082	5.5%

Source: EIC

7.5.2 Summary of the Financial Statements of WESCOSA

The table below shows on the audited financial statements of WESCOSA for the three-month period ending on 31 March 2013 and 2014.

Table 7-26: Summary of the income statement of WESCOSA for the three-month period ending on 31 March 2013, and 2014

SAR 000 (Rounded Figures)	Three-month period ending on 31 March		
	2013 Unaudited	2014 Audited	Change % 2013-2014
Net sales	172,804	192,204	11.2%
Cost of sales	(122,345)	(140,658)	15.0%
Gross Margin	50,459	51,545	2.2%
General and administrative expenses	(4,531)	(5,333)	17.7%
Selling and Distribution expenses	(5,803)	(7,926)	36.6 %
Operating income	(2,820)	542	-
Net income	37,304	38,828	4.1%

Source: EIC

Table 7-27: Summary of the balance sheet of WESCOSA for the three-month period ending on 31 March 2013 and 2014

SAR 000 (Rounded Figures)	Three-month period ending on 31 March		
	2013 Unaudited	2014 Audited	Change % 2013-2014
Current assets	594,933	621,967	4.5%
Non-current assets	96,411	106,883	10.9%
Total assets	691,343	728,851	5.4%
Current liabilities	322,396	224,715	(30.3 %)
Non-current liabilities	26,675	109,100	309.0%
Total liabilities	349,071	333,815	(4.4 %)
Capital	64,000	64,000	-
Regulatory reserve	32,000	32,000	-
Retained earnings	226,273	279,036	23.3%
Proposed dividends	20,000	20,000	-
Total rights of partners	342,273	395,036	15.4%
Total liabilities and partners	691,343	728,851	5.4%

Source: EIC

7.5.3 Summary of the Financial Statements of SPTC

The table below shows the audited financial statements of SPTC for the three-month period ending on 31 March 2013, and 2014

Table 7-28: Summary of the income statement of SPTC for the three-month period ending on 31 March 2013 and 2014

SAR 000 (Rounded Figures)	Three-month period ending on 31 March		
	2013 Unaudited	2014 Audited	Change % 2013-2014
Net sales	-	1,640	-
cost of sales	(228)	(2,803)	1,129.4%
Gross Margin	(228)	(1,163)	410.0%
General and administrative expenses	(2,637)	(2,151)	18.4%
Selling and Distribution expenses	-	(270)	-
Operating income	(177)	(637)	259.7%
Net income	(3,042)	(4,221)	Hit 38.7%

Source: EIC

Table 7-29: Summary of the balance sheet of SPTC for the three-month period ending on 31 March 2013 and 2014

SAR 000 (Rounded Figures)	Three-month period ending on 31 March		
	2013 Unaudited	2014 Audited	Change % 2013-2014
Current assets	29,677	14,440	(51.3 %)
Non-current assets	103,315	110,953	7.4%
Total assets	132,992	125,393	(5.7 %)
Current liabilities	86,990	36,388	(58.2 %)
Non-current liabilities	24,211	88,566	265.8%
Total liabilities	111,201	124,954	12.4%
Capital	30,200	30,200	-
Accumulated losses	(8,408)	(29,761)	254.0%
Total partners' equity	21,791	439	(98.0 %)
Total liabilities and partners' equity	132,992	125,393	(5.7 %)

Source: EIC

8. Dividend Distribution Policy

The Company intends to distribute part of the dividends to Shareholders to enhance the value of their investment in line with the Company's profits, financial position, the market condition, the general economic climate and other factors including the Company's urgent need to reinvest these profits, the Company's capital requirements, its working capital, in addition to future prospects of the economic activity as well as other legal and regulatory considerations. Dividends will be distributed in Saudi Riyals. Furthermore, the Company does not intend to raise debts or use existing ones to pay dividends.

Although it is EIC's intention to pay annual dividends to its shareholders, the Company does not make any assurance that any dividend will actually be paid, nor any assurance as to the amount which will be paid in any given year. The distribution of dividends is subject to certain limitations under the Company's By-laws as net annual dividends distributions will be made after deducting all general expenses and other costs as follows:

(10%) of the annual net profits shall be set aside to form a statutory reserve. Such amounts maybe discontinued by the Ordinary General Assembly when said reserve totals one-half of the Company's capital;

the Ordinary General Assembly may, upon request of the Board of Directors, set aside all or a certain percentage of the annual net profits to form acontractual or a general reserve to be allocated for specific purpose or purposes;

out of the balance of the profits, if any, an initial payment of (5%) of the paid-up capital, shall be paid to the Shareholders;

(5%) of the remaining amount shall be paid as remuneration to the members of the Board of Directors, whereas it shall not exceed in all cases the maximum allowed percentages in accordance with the official resolutions and instructions issued by the competent bodies in this regard; and the balance shall be distributed among the Shareholders as an additional share in the profits.

The Offer Shares will be entitled to receive any dividends declared by the Company as of the Offering Period and for subsequent fiscal years.

Exhibit 8-1: Dividend Payment History

	2011G (SAR)	2012 G (SAR)	2013 G (SAR)	Q1 2014G (SAR)
Declared dividends for the period	130,000,000	54,000,000	96,250,000*	50,000,000**
Paid dividends during the period	96,059,905	130,000,000	115,250,000	-
Net Income	113,698,150	108,148,789	165,962,977	55,488,318
Declared dividends to net income	114.3%	49.9%	57.9%	90.1%

Source: EIC

* The Board of Directors recommended to distribute interim dividends amounting to (SAR 61,250,000) sixty one million two hundred fifty thousand Saudi Riyals in its meeting held on 06/10/2013G. Further, the Board of Directors recommended in its session held on 02/03/2014G to distribute the amount of (SAR 35,000,000) thirty five million Saudi Riyals to the Shareholders. The total declared profits for 2013G totaled (SAR 96,250,000) ninety six million two hundred fifty thousand Saudi Riyals.

** In its meeting on 20/7/1435H (corresponding to 19/5/2014G), the Board approved the distribution of interim dividends for financial results in Q1 2014G, in the amount of (SAR 50,000,000) fifty million Saudi Riyals. The said dividends were distributed in June and July of 2014G.

9. Capitalization and Debts

The following table summarizes the Company's capitalization according to the consolidated audited financial statements for the year ended December 31, 2011G, 2012G and 2013G. The following table must be read in conjunction with the Company's audited financial statements and the notes thereto (for more details, please see Section 19 hereof entitled "Auditors' Report").

Exhibit 9-1: Company's Capitalization and Debts as at December 31, 2013G

Capitalization and Debts (SAR)	2011G	2012G	2013G	31/3/2014G
Total Loans	132,625,688	391,125,752	302,265,000	315,510,338
Shareholders' equity				
Capital	350,000,000	350,000,000	350,000,000	450,000,000
Proposed Increase in the Capital	-	-	100,000,000	-
Statutory Reserve	12,369,815	23,184,694	9,780,992	9,780,992
Retained earnings	24,007,960	64,878,311	46,394,990	101,483,308
Dividends Proposed	130,000,000	54,000,000	35,000,000	35,000,000
Minority Interest	10,675,990	13,119,443	2,873,002	351,321
Total shareholders' equity and minority interest	527,053,765	505,182,448	544,048,984	596,615,621
Total Capitalization (Total Loans + Bank Overdrafts + Shareholders' Equity + Minority Interest)	659,679,453	896,308,200	869,238,984	912,125,959
Total Loans / Total Capitalization	20.1%	43.6%	38.4%	34.6%

Source: Consolidated Audited Financial Statements

The Directors confirm that there are no plans to make any significant changes in the nature of the Company's activities and that the business operations have not experienced any stoppages that had an effect or could have any effects on the financial situation of the Company during the last 12 months, or during the period from the end of the period covered in the Auditors' report to the date of this Prospectus. In addition, the Company confirms that neither the Company's capital nor the capital of any affiliates is under option. Further, the Company uses bank loans in addition to internal cash funds to form the working capital. The Directors also confirm that the Company does not have any debt instruments and that the Company has sufficient working capital for the 12 months following the date of this Prospectus.

10. Use of Proceeds

The total Offering proceeds are estimated to be SAR 729,000,000 of which around SAR 20,000,000 will be applied towards the Offering expenses which include the fees of the Financial Advisor, legal advisors, accounting due diligence and working capital advisor, market consultant, underwriters expenses, Receiving Agents, marketing and printing and distribution fees as well as other fees related to the Offering. The Company will not bear any of the expenses related to the Offering but will deduct them from the Offering proceeds. The Selling Shareholders shall pay underwriting expenses incurred by the Company on their behalf upon completion of the Offering.

The net Offering proceeds will approximately amount to SAR 709,000,000, which will be distributed to the Selling Shareholders on a pro rata basis to number of Offer Shares which will be sold by each of them in the Offering. The Company will not receive any part of the Offering proceeds.

11. Experts Statements

The Company has appointed ERAS Consulting Limited ("ERAS") to conduct a market study on the sectors in which the Company operates in the Kingdom, the GCC and the region ("Market Report"). ERAS was established in 1987G. It operates on a worldwide level to provide professional consultations to private and public sectors' corporations operating in several fields and sectors. ERAS is headquartered in London, UK and currently employs more than 30 staff members.

The Market data herein is derived from the Market Report. ERAS has given, and not withdrawn its written consent, to the use of its name, data and market data in this Prospectus in the manner mentioned herein.

ERAS does not, nor do any of its shareholders, directors, or their relatives own any Shares or any interest of any kind in the Company or its Subsidiaries.

12. Declarations

The Company's Directors, the Board's Secretary and the executives declare the following:

- There was no interruption in the operations of the Company or any of its Subsidiaries that could have significant impact on the financial position during the last 12 months.
- There were no commissions or discounts or brokerage fees or any other non-cash compensation by the Company or any of its Subsidiaries granted during the three years preceding directly the date of submitting the Admission application and approval of listing regarding the issuance or sale of any securities of the Company.
- There was no material adverse change to the financial and trading position of the Company or any of its Subsidiaries during the three years preceding directly the date of submitting the Admission application and approval of listing, in addition to the period covered by the Auditors' report until approval of this Prospectus.
- Except as disclosed in Exhibit 5-1 hereof entitled "EIC Board Members", Section 13.3 "Related Party Transactions" neither the board members nor any of their relatives have shares or interests of any type in the Company or any of its Subsidiaries.
- None of the Company's Board Members, Senior Management employees, or the Board's Secretary have at any time been declared bankrupt.
- No company - in which any of the Company's Board Members, Senior Management employees, or the Board's Secretary held an administrative or supervisory office - was declared insolvent in the past five years.
- Except as disclosed in Section 13.3 hereof entitled "Related Party Transactions" neither they nor any of their relatives have interests of any type in the Company or any of its Subsidiaries or associates. Except the members of the Board of Directors and their relatives who own shares in the company (for more information, please refer to Exhibit 5-1, entitled "EIC Board of Directors").
- The financial data mentioned herein and the consolidated financial statements for the financial years ending on December 31, 2011G, 2012G, 2013G, and the accompanying notes thereto, which have been audited by Ernst & Young ("Legal Accountant") were prepared in conformity with the Generally Accepted Accounting Principles issued by the Saudi Organization for Certified Public Accountants ("SOCPA"), and allows the use of International Auditing Standards in the absence of related Saudi Auditing Standards.
- The Company has a working capital that is sufficient for 12 months following the date of issuing this Prospectus.
- There is no intention to make any change to the activities of the Company, its Subsidiaries or its Associates.
- The Company did not previously issue any debt instruments and did not declare issuing such instruments.
- None of the Company's Directors, executives, or any marketing official or expert obtained any commissions or discounts or brokerage fees or any other non-cash compensation during the three years directly preceding the date of submitting the Admission application to the Official List regarding the issuance or sale of any securities of the Company.
- Save as otherwise mentioned herein regarding third parties' contracts, there aren't any current or planned contracts or arrangements with any Board Members, executive directors or their relatives giving them a material interest in Company business, and there are no powers granting them any rights to vote on those transactions; voting will be made on all related party contracts in the first General Assembly post offering.

- There are no share schemes for the Company's employees existing prior to submitting the Admission application and approval of listing. In addition, there are no other arrangements engaging the employees in the Company's capital.
- The Company possesses the necessary regulations and policies to prepare the interim and annual financial statements in conformity with the Generally Accepted Accounting Principles issued by the Saudi Organization for Certified Public Accountants ("SOCPA"), and in the set deadlines in accordance with the Listing Rules. Further, the Company possesses the necessary regulations and policies to prepare all the other financial reports, and non-financial reports as provided in the Listing Rules and in the timelines set in these rules.
- The Company possesses all the necessary regulations and policies that enable it to comply with all the CMA's regulation requirements, the Listing Rules as well as all the other executive by-laws issued by the CMA.

13. Legal Information

13.1 Summary of Company's Bylaws

13.1.1 Name of the Company

Electric Industries Company, "Closed" Joint Stock Company.

13.1.2 Objectives of the Company

The objectives of the Company are as follows:

1. Manufacture, sale and trading of electrical transformers (oil cooling, drying, multi-capacity resinous).
2. Manufacture, sale and trading of cables and pillars (holders) of cables and their accessories (steel and aluminum).
3. Manufacture, sale and trading of the following:

   Electrical panels, low voltage panels, low voltage and medium voltage motor control centers, medium voltage separators and mainstream linking devices, integrated transformer stations of various capacities and voltages, intensifiers (improving capacity) of low or medium voltage, fuses of medium voltage, lightning rods of various voltages, circuit breakers of low voltage for external use, switch keys of low voltage, suspended electrical circuit breakers, control panels and ducts of electrical rods of low and medium voltages with various capacities, electrical rods of low and medium voltages with various capacities, moving overhead cranes, lever roller and lever with fixed head, as well as annular links.
4. Trading in electrical materials and equipment of all types.

   The Company shall not exercise these activities before obtaining the necessary licenses from the competent authorities.

13.1.3 Head Office

The head office of the Company is located in the city of Dammam. The Board of Directors may establish branches, offices or agencies thereof inside or outside KSA.

13.1.4 Term of the Company

The term of the Company is of (99) ninety-nine Gregorian calendar years, with effect from the date of issuance of a decision from the Minister of Commerce and Industry declaring its establishment. The term may be extended by a decision issued by the Extraordinary General Assembly at least one year before expiry thereof.

13.1.5 Capital

The capital of the Company is (SAR 450,000,000) four hundred fifty million Saudi Riyals, divided into (45,000,000) forty-five million shares of equal nominal value of (SAR 10) ten Saudi Riyals per share. They are all cash shares representing the capital of the Company upon incorporation.

13.1.6 Shareholders of the Company

The shareholders subscribed to (45,000,000) forty-five million shares representing one hundred percent (100%) of the Company's capital amounting to (SAR 450,000,000) four hundred and fifty million Saudi Riyals, paid in full.

13.1.7 Trading of Shares

All Shares shall be transferable after the certificate issuance. As an exception to the foregoing, Shares received against in-kind or cash shares subscribed for by the Founders or shares owned by the Company's Partners shall not be transferable before the publication of the balance sheet and profit/loss account for two complete fiscal years, each of not less than 12 months, from the date of issuance of the Ministerial Resolution agreeing on the conversion of the Company or the approval of the CMA.

Such provisions shall apply to any shares subscribed for by the Founders in case the capital is increased before the lapse of the lock-up period, for the remaining duration of this period. The certificates shall contain information regarding the nature of the Shares, the date on which the Company was converted and the duration of the lock-up period. However, title to the cash shares may be transferred during the lock-up period in accordance with the provisions regarding the sale rights, by one Shareholder to another or to a member of the Board of Directors to present such Shares as a guarantee for his management or by the heirs of a deceased shareholder to third parties.

13.1.8 Bonds and Securities

The Company may issue loan bonds or convertible bonds for the purpose of public offering or for other purposes inside or outside KSA according to the rules and regulations in force.

13.1.9 Shareholders' Register

Nominal Shares shall be traded by recording such trades in a Shareholders' Register prepared by the Company stating their names, nationalities, occupations, domicile and address, the serial numbers of the Shares, and the amount paid-up on such Shares. The transfer of title to a Share shall not be effective vis-à-vis the Company or any third party except from the date on which the transfer is recorded in the Shareholders' Register or the completion of the transfer process through the automated share information system. Subscription in or ownership of the Shares by a Shareholder entails the acceptance by the Shareholder of the Company's By-Laws and his submission to the resolutions duly passed by the General Assemblies in accordance with the By-Laws, regardless of whether the Shareholder was present at such General Assemblies or whether he voted in favor of or against such resolutions.

13.1.10 Increase of Capital

The Extraordinary General Assembly may, once it has ascertained the economic feasibility of a capital increase and after obtaining the approval of the competent authorities, adopt a resolution to increase the Company's capital once or several times by issuing new Shares having the same nominal value as the original Shares, provided that the Company's capital shall have been paid in full and subject to the requirements of the Companies Regulations. Such resolution shall specify the mode of increasing the capital. The Shareholders, who shall have pre-emptive rights to subscribe for the new Shares, shall be notified of their pre-emptive rights by notice published in a daily newspaper concerning the increase of the capital and the subscription conditions or by a written notice addressed to the Shareholders through registered mail. Each Shareholder may exercise his pre-emptive rights, within 15 days of the publication of such notice or receipt of such notice by registered mail. Such new shares shall be allotted to those original Shareholders who have elected to exercise their pre-emptive rights pro-rata to their respective shareholdings in the Company, provided that the number of Shares allocated to each Shareholder does not exceed the number of Shares for which he applied. The remaining new Shares shall be allotted to the original Shareholders who applied for more than the rate of their shares in the Company, provided that the number of Shares allocated to them does not exceed the number of new Shares they applied for.

13.1.11 Decrease of Capital

The Company may, by a resolution of the Extraordinary General Assembly based on acceptable justifications and with the approval of the Ministry of Commerce and Industry, reduce its capital if it proves to be in excess of the Company's needs. Such resolution may be passed in an Extraordinary General Assembly meeting and only after the preparation of a report by the Company's auditor setting out the reasons for reduction of the Company's capital, the obligations of the Company and the effect of such reduction on such obligations as per the Companies Regulations. The resolution shall set out the manner in which the reduction in capital is to be effected. If the decrease was due to the fact that the capital exceeds the Company's need, the creditors shall be invited to express their objections thereto within (60) sixty days from the date of publication of the decrease decision in a daily newspaper distributed in the city where the Company's head office is located. If one of the creditors objects thereto and submits proof documents of the debt on the said date, the Company shall pay his debt if it is current or submit a sufficient guarantee of payment if it is deferred.

13.1.12 Board of Directors

The Company shall be managed by a Board of Directors comprising of eight (8) members appointed by the Ordinary General Assembly for a period not exceeding (3) three years.

13.1.13 Qualification Shares

Each member of the Board shall be holder of a number of Shares having a nominal value of no less than (SAR 10,000) ten thousand Saudi Riyals. Such Shares shall be deposited, within thirty (30) days from the date of appointment of the member, in a bank designated by the Minister of Commerce and Industry for this purpose. Such Shares shall be held to guarantee the liability of the Board Members and shall be non-negotiable until the expiry of the period specified for hearing any action set out under Article (76) of the Companies' Regulations or until a judgment is rendered in any such action. Should any member fail to submit such qualification Shares within the specified period, his membership shall be considered null and void. The Auditor shall verify the compliance with this Article and shall include in his report submitted to the General Assembly, any violation in this regard.

13.1.14 Vacancies of Membership

A member's membership of the Board shall be terminated upon the expiry of his appointment term, his resignation or death or if he is declared bankrupt, insolvent or requests a settlement with his creditors or stops repaying his debts in accordance with any applicable laws or regulations in force in KSA. If the seat of a Board member becomes vacant, the Board may appoint a temporary member to the vacant seat, provided that such appointment shall be laid before the next Ordinary General Assembly. The new member shall complete the rest of his predecessor's term.

If the number of Board members falls below the quorum required for a Board meeting, an Ordinary General Assembly must be convened as soon as possible to appoint new members to the vacant seats.

13.1.15 Powers of the Board of Directors

Without prejudice to the powers conferred on the General Assembly, the Board shall be vested with the widest powers to manage the business of the Company and supervise its affairs within and outside the KSA. It may, for example, represent the Company in its relations with others and with Government and private authorities, before Shariah Courts, judicial authorities, Board of Grievances, Labor Offices, high and primary committees, securities committees and all other judicial committees, arbitration and civil rights authorities, police sections, Chambers of Commerce and Industry, private authorities and companies and establishments of all types. It shall have the right to enter tenders and bids, award offers, collect, pay, receive rights from others, acknowledge, claim, defend, plead, litigate, conciliate, assign, request the taking of oath and reject the same, accept judgments and object thereto, collect the execution proceeds, obtain arbitration arguments and request the amendment of Sukuk and their durations. The Board may participate in the establishment of companies, sign all types of contracts and documents including, without limitation, the incorporation contracts of companies in which the Company is a partner, with all amendments and supplements of the articles of association of the companies in which the Company is a partner as well as all the resolutions of the partners in these companies, including the resolutions related to the increase of the capital, assignment and purchase of shares and authentication of contracts. It shall also sign at the Companies' Department of the Ministry of Commerce and Industry and before the Notary Public.

It may also make amendments, changes, addition, deletion, extract, renewal, collection and cancellation of the commercial registers, change the companies' names, mortgage the fixed and movable assets to guarantee the loans of the Company and its subsidiaries according to the following conditions:

1. The Board shall determine, in the sale decision, the reasons and justifications thereof.
2. The sale price shall be comparable to the price of the like.
3. The sale shall be only in cases of necessity and with adequate guarantees.
4. Such act shall not entail the suspension of some of the Company's activities.

It may sign agreements and bonds before the Notary Public and official authorities, loan agreements, guarantees and warrants, waive priority rights in the settlement of the Company's debts, discharge the Company's debtors from their obligations in a manner that safeguards its interests according to the

relevant accounting standards, provided that the minutes of the Board includes the justifications of its decision, taking the following conditions into consideration:

1. The discharge shall be after a minimum period of a full year from the emergence of the debt.
2. The discharge shall be for a maximum specified amount per year for one debtor.
3. The discharge shall be the right of the Board and cannot be authorized to others.

It shall also have the right to issue official powers of attorney in the name of the Company; sell, buy, evacuate and accept all types of land; buy, sell and trade stocks, bonds, instruments, movable or immovable properties; collect the price in any way it deems proper, take over, hand over, rent, lease, collect, pay, open accounts and credits and extend the same; withdraw and deposit at banks, obtain loans therefrom; issue all banking guarantees, invest the Company's funds in local and international markets inside and outside KSA. It may also pay remunerations, appoint and dismiss lawyers, employees and workers, request visas, recruit manpower from abroad, sign employment contracts and determine their salaries, request issuance of residence authorization cards (Iqama), transfer sponsorships and release the same. It may also submit its recommendation to the General Assembly for the appointment of legal auditors and accountants.

The Board of Directors may also conclude loan agreements of any duration with governmental funds and institutions, conclude commercial loans with a term not exceeding the term of the Company. The following conditions shall apply in respect of any loan having a term exceeding three (3) years:

1. The loan amounts executed in any one financial year not to exceed (50%) of the Company's capital.
2. The Board shall specify, in its resolution, the manner in which the loan will be used and how it will be repaid.
3. The terms of the loan and the guarantees provided in relation thereto do not prejudice the interests of the Company, the Shareholders or the securities offered to the Company's creditors.

It shall have the right, within its competence, to delegate the Chairman of the Board or a third party to carry out one or more specified works.

13.1.16 Remuneration of the Board

The remuneration of the Board Members be determined on the basis of the percentage set forth in the Company's By-laws (For further details, please refer to Section 5.7.7 of this Prospectus entitled "Remuneration and Benefits of Directors and Senior Management (including the CEO and Executive Vice Presidents for Finance and IT)" within the provisions of the Companies Regulations and the laws and regulations which are complementary thereto. The members of the Board also receive an amount of (SAR 3,000) three thousand Saudi Riyals for every session attended, in addition to the travel expenses equivalent to a first class travel ticket on Saudi Airlines (provided the place of residence of the member is not inside the city where the meeting is held), and accommodation expenses of (SAR 2,000) two thousand Saudi Riyals per day of the meeting. The report of the Board to the Ordinary General Assembly shall include a comprehensive statement of the salaries, attendance allowances, profit shares, expenses and the other benefits received by the members of the Board in the fiscal year. The said report of the Board of Directors shall also include a statement of all amounts received by the Board's members in their capacity as employees or administrators, or for doing any technical, administrative or consultative works previously approved by the General Assembly of the Company.

13.1.17 Chairman, Deputy Chairman / Managing Director and CEO

The Board shall appoint a Chairman from among its members. The Board of Directors shall determine, at its discretion and according to the Companies' Regulations, the remuneration of the Chairman in addition to the remuneration of the Board members stated in these Regulations.

The Chairman shall have the following authorities:

1. To invite the Board and the General Assembly to meetings.
2. To preside and manage the Company's Board meeting and the General Assembly.
3. His vote shall prevail in case of equivalence of votes at the Board of Directors.

4. To represent the Company in official and media forums.
5. To represent the Company in its relations with third parties, government agencies, private entities, and also before Shariah Courts, judicial authorities, the Board of Grievances and all other judicial committees inside and outside KSA. He shall sign before notaries on all the incorporation contracts of the companies in which the Company is a partner and the amendments thereof and shall have the right of defense and pleading.
6. Other powers and authorities assigned to him by the Board of Directors.

The Chairman may also authorize one of the Board members, company employees or third parties to carry out certain tasks and delegate to them some of his powers.

The Board of Directors shall choose one of its members as a Deputy Chairman and Managing Director and the appointing resolution shall determine the authorities vested in them.

The Board of Directors may also appoint a CEO, whether from among its members or otherwise, and shall specify his competencies and remuneration. The positions of the Chairman and that of the Managing Director or CEO shall not be combined.

The Board of Directors shall appoint a secretary from among its members or others and shall specify, by a decision, his competencies and remuneration. The membership term of the Chairman, Deputy Chairman and Managing Director shall not exceed the membership term of each in the Board and they may be re-appointed.

13.1.18 Board Meetings

The Board of Directors shall be convened upon notice given by the Chairman and sent by fax or E-mail accompanied with the agenda, fifteen (15) days at least prior to the date set for the meeting. The Chairman shall call a meeting of the Board if so requested by two (2) of the members.

13.1.19 Quorum and Resolutions

The Board meeting shall not be correct unless attended by at least five members in person. In case one Board member represents another member in attending the Board meetings, the proxy shall be according to the following:

1. A member of the Board of Directors may not act as proxy for more than one Board member at the same meeting.
2. A proxy shall be appointed in writing.
3. A Board member acting by proxy may not vote on resolutions on which his principal is prohibited from voting.

The Board may adopt a resolution by circulation of resolutions unless a Board member requests in writing a meeting to deliberate on such resolution. Resolutions of the Board shall be adopted with the approval of the majority vote of the members present in person or represented by proxy and in case of equivalence of votes, that of the Chairman shall prevail.

13.1.20 Minutes of Meetings

Deliberations and resolutions of the Board shall be recorded in the form of minutes to be signed by the Chairman and the Secretary. Such minutes shall also be recorded in a register to be signed by the Chairman and the Secretary.

13.1.21 Committees

The Board of Directors may form committees and determine their powers and duties as it may deem convenient. These committees shall coordinate in order to expedite the tasks entrusted to them.

13.1.22 Shareholders' General Assembly

A General Assembly duly convened shall be deemed to represent all the Shareholders, and shall be held in the city where the Company's head office is located. Each Shareholder owning at least (20) twenty Shares shall have the right to attend a General Assembly, and each Shareholder may authorize another Shareholder, other than a member of the Board of Directors, to attend the General Assembly on his behalf.

13.1.23 Ordinary General Assembly

With the exception of those matters reserved for the Extraordinary General Assembly, the Ordinary General Assembly shall deal with all matters concerning the Company. The Ordinary General Assembly shall be convened at least once a year, with six (6) months following the end of the Company's fiscal year. Additional Ordinary General Assembly meetings may be convened as required.

13.1.24 Extraordinary General Assembly

The Extraordinary General Assembly shall have the power to amend the Company's Bylaws, except the clauses it is not allowed to amend under the Companies Regulations. Furthermore, the Extraordinary General Assembly may pass resolutions on matters falling within the competence of the Ordinary General Assembly, subject to the same requirements applicable to the last Assembly.

13.1.25 Manner of Convening General Assemblies

The General Assembly shall be convened by the Board of Directors. The Board of Directors shall convene a meeting of the Ordinary General Assembly if requested to do so by the auditor or by at least three (3) Shareholders representing at least five percent (5%) of the Company's capital. The Company must publish an invitation to Shareholders to attend the General Assembly in the Official Gazette and in a daily newspaper circulated in the location of the head office of the Company, at least twenty-five (25) days prior to the date of the General Assembly. The invitation must include the agenda of the meeting. A copy of the notice and the agenda shall be sent during the notice period to the Companies Department at the Ministry of Commerce and Industry.

13.1.26 Quorum of Ordinary General Assembly

A meeting of the Ordinary General Assembly shall be quorate if attended by Shareholders representing at least half the Company's capital. If such quorum is not present at the first meeting, a second meeting shall be held within thirty (30) days following the time set for the first meeting. Notice of such meeting shall be published in manner prescribed for the publication of notices of General Assembly meetings in the Company's By-laws (For further details, please refer to Section 13.1.24 of this Prospectus "Extraordinary General Assembly". The second meeting shall be deemed quorate irrespective of the number of shares represented at such meeting.

13.1.27 Quorum of Extraordinary General Assembly

A meeting of the Extraordinary General Assembly is quorate if attended by Shareholders representing at least half the Company's capital. If such quorum is not present at the first meeting, a second meeting shall be convened in manner prescribed in Section 13.1.25 of this Prospectus. The second meeting is quorate if attended by Shareholders representing at least one quarter of the capital.

13.1.28 Voting Rights

Each Shareholder shall have one vote for each Share he represents at the Constituent General Assembly. Votes at the meetings of Ordinary and Extraordinary General Assemblies are counted on the basis of one vote for each Share. The task of voting by the Shareholder shall be facilitated. In relation to the Ordinary General Assembly resolutions that relate to electing the Board members, the voting on these decisions will follow the cumulative voting principle. The Shareholders will be allowed to split their votes between various candidates according to the Shares owned by them. However, the Board members shall not have the right to participate in the voting on the Assembly resolutions related to their discharge for their management term of the Company.

13.1.29 Resolutions

Resolutions of the Ordinary General Assembly shall be passed by an absolute majority of the Shares represented at the meeting. The resolutions of the Extraordinary General Assembly shall be issued by the majority of two thirds of the Shares represented in the meeting. However, if the resolution was related to the increase or decrease of the capital, prolongation of the Company's term, dissolution of the Company before expiry of the term specified in its By-laws or the merger of the Company in another company or establishment, the resolution shall not be correct unless it is issued by the majority of three quarters of the Shares represented in the meeting.

13.1.30 Discussion of Agenda

Each Shareholder shall have the right to discuss the items listed in the General Assembly's agenda and to direct questions in respect thereof to the members of the Board and to the auditor. The Board of Directors or the auditor shall answer the Shareholders' questions in a manner that does not prejudice the Company's interest. If the Shareholder deems the answer to the question unsatisfactory, then he/it may refer the issue to the General Assembly and its decision in this regard shall be conclusive and binding.

13.1.31 Proceedings of the General Assembly

The General Assembly shall be presided over by the Chairman or, in his absence, the person designated by him. The Chairman shall appoint a secretary for the meeting and a canvasser. Minutes of the meeting shall be prepared showing the names of the Shareholders present in person or represented by proxy, the number of the shares held by each in person or by proxy, the number of votes attaching to such Shares, the resolutions adopted, the number of votes in favor of or opposing such resolutions, and a comprehensive summary of the discussions that took place at the meeting. Such minutes shall be recorded in a regular manner after each meeting in a register to be signed by the Chairman of the Assembly, the secretary and the canvasser.

13.1.32 Appointment of Auditor

The Company shall have one or more auditors licensed to practice in KSA. He shall be appointed annually by the Ordinary General Assembly and its compensation shall be fixed by the latter. The Ordinary General Assembly has the right to reappoint the same auditor.

13.1.33 Access to Records

The auditor shall have the right, at any time, to peruse the Company's books, records and other documents. He may request the data and clarifications he deems necessary to be obtained and shall have the right to verify the Company's assets and liabilities. The auditor shall provide the Annual Ordinary General Assembly with a report guaranteed by the Company's position that enables him to obtain the data and clarifications he required, the violations detected by him to the provisions of the Companies' Law or the provisions of this Law and his opinion on the compliance of the Company's accounts to reality.

13.1.34 Financial Year

The Company's fiscal year shall start on the first of January and end on the 31st of December of every Gregorian year, provided that the first fiscal year of the Company starts from the date of the Ministerial Decision announcing the Company's establishment and ends on the 31st of the December of the following year.

13.1.35 Annual Reports

The Board of Directors shall prepare at the end of each fiscal year an inventory of the Company's assets and liabilities on such date, the Company's balance sheet and profit and loss account, a report on the Company's activities and its financial position for the preceding year and its proposals as to the distribution of the net profits, at least sixty days prior to the convening of the Ordinary General Assembly.

The Board of Directors shall provide such documents to the auditor at least twenty-five days prior to the time set for convening the Assembly. Such documents shall be signed by the Chairman of the Board and a set thereof shall be available at the Company's head office for inspection by Shareholders at least twenty-five (25) days prior to the time set for convening the General Assembly. He shall send a copy of these documents and the full text of the auditor's report to the Companies Department at the Ministry of Commerce and Industry at least twenty-five (25) days prior to the time set for convening the General Assembly.

13.1.36 Distribution of Annual Profits

After deducting all general expenses and other costs, the Company's annual net profits shall be allocated as follows:

1. (10%) of the net profits shall be allocated to form a statutory reserve. The Ordinary General Assembly may suspend such allocation when the said reserve reaches half of the capital;
2. The Ordinary General Assembly may, upon the suggestion of the Board of Directors, allocate all or a specified rate of the annual net profits to form an optional reserve or general reserve for one or several objectives;
3. The rest shall be distributed (if any) as first payment to the Shareholders, equivalent to (5%) of the paid-up capital;
4. After the above, (5%) of the rest can be distributed to the Board of Directors as bonus without exceeding the maximum limits allowed according to the official resolutions and instructions issued by the competent authorities in this regard. The remainder shall then be distributed to the Shareholders as an extra portion of dividend.

13.1.37 Distribution of Dividends

The profits to be distributed on the Shareholders shall be paid in the place and on the dates specified by the Board of Directors according to the instructions issued by the Ministry of Commerce and Industry.

13.1.38 Company Losses

If the Company's losses amounted to three quarters (75%) of the capital, the members of the Board shall convene the Extraordinary General Assembly to consider the continuation or dissolution of the Company before its term specified in Article 6 of the Company Bylaws. The Assembly's resolution shall be published in the Official Gazette in all cases.

13.1.39 Disputes

Each Shareholder shall have the right to bring an action in the name of the Company, against the members of the Board of Directors if they have committed a fault which has caused some particular damage to such Shareholder, provided that the Company still has the right to bring such action. The Shareholder shall notify the Company of his intention to file such action.

13.1.40 Dissolution and Winding up of the Company

Upon the expiry of the Company's term, or if it is dissolved prior to such time, the Extraordinary General Assembly shall, based on a proposal by the Board of Directors, decide the method of liquidation, appoint one or more liquidators and specify their powers and fees. The powers of the Board of Directors shall cease upon the expiry of the Company's term. However, the Board of Directors shall remain responsible for the management of the Company until the liquidator(s) are appointed. The Company's administrative departments shall maintain their powers to the extent that they do not interfere with the powers of the liquidators. The resolution of the Assembly shall be published in the Official Gazette.

13.1.41 Preferred Shares

The Company may, after the consent of the Minister of Commerce and Industry and according to the principles set by him, issue preferred shares that do not allow their holders voting rights at no more than (50%) of its share capital. These preferred shares shall allow the holders to:

- Receive a certain percentage of net profits not less than (5%) of the nominal value of the share after statutory reserve deductions and prior to any profit distribution;
- Priority in recovering the value of their shares in the share capital upon liquidation of the Company, and to receive a certain percentage of the liquidation outcome. The Company may purchase these Shares according to the principles set by the Minister of Commerce. These Shares shall not be calculated in the quorum necessary for the Company's General Assembly set forth in the Company By-laws.

13.2 Summary of Material Agreements

The Company and its Subsidiaries entered into a number of material agreements for the purpose of doing business. The Company affirms that all material contracts and transactions, as well as all the major items pertaining to each contract and transaction have been included in this summary. Some of the agreements entered into by the Company include a clause entitling the other party to terminate the agreement when the Company changes ownership without prior consent. Approvals obtained by the Company for agreements that include a change of ownership clause shall be mentioned herein, as well as all required approvals not yet obtained by the Company. The risks relating to agreements that include a change of ownership clause and for which the Company has not yet obtained the approval of the other party, have been mentioned in the Risk Factors section of this Prospectus (For more details, please refer to Section 2.1.9, entitled "Reliance on Technical Support and Licensing Agreements", as well as Section 2.1.26, entitled "Financing and Credit Facilities Risks"). The following is a summary of material agreements entered into by the Company and its Subsidiaries:

13.2.1 Licensing, Supply, Advisory Services and Technical Support Agreements

STC and WESCOSA entered into a number of licensing, supply, advisory services and technical support agreements with other parties. Following is a summary of those agreements.

1) Strategic Alliance Agreement between Cutler-Hammer and WESCOSA

WESCOSA entered, on 11/4/1420H (corresponding to 9/2/2000G), into a Strategic Alliance Agreement with Cutler Hammer, one of the companies owned by Eaton Corp. The agreement sets out the principles for the basis on which the two companies will co-operate together to market and sell products to be manufactured by WESCOSA using Cutler-Hammer components, with technical support and training to be provided by Cutler-Hammer.

Since this agreement is a strategic alliance agreement, it is considered to be a framework agreement for many of the transactions between the two companies, and, as such, it is without a specific termination date. The agreement provides that the parties intend to enter legally binding agreements which include terms addressing licensing, pricing and use of trademarks. The binding agreements will be signed whenever WESCOSA enters into contracts or bids with customers for whom it would need products provided by Cutler-Hammer.

Governing Law and Jurisdiction

This agreement does not explicitly provide for the application of a particular law. Since it is a framework agreement, the many transactions relevant thereto shall determine the applicable law and jurisdiction for each transaction separately.

2) Supply Agreement between Powell Electrical Manufacturing Company ("Powell") and WESCOSA

Purpose/License

WESCOSA is licensed to use Powell trademarks in connection with PowlVac switchgear or UNIBUS ducts for the term of the agreement.

Fees

Yearly fees are payable by WESCOSA for technical and administrative services received from Powell in the amount of (3%) of the net value of customer invoice sales of WESCOSA- manufactured PowlVac Switchgear less the FOB PowelVac parts purchased from Powell.

Liability and Compensation

Powell undertakes to indemnify WESCOSA for any liability or loss incurred by reason of any patent or trademark infringement arising out of WESCOSA's use of components, equipment and supplies used in the manufacture of the products. WESCOSA agrees to indemnify Powell for any claim resulting from its negligence or failure to perform under the agreement.

Exclusivity

WESCOSA agrees not to manufacture, sell or otherwise deal in any type of vacuum switchgear or bus duct in Saudi Arabia other than Powell PowlVac switchgear and UNIBUS bus ducts, and Powell agrees not to sell or deal in Powell PowlVac switchgear or UNIBUS bus ducts to any other manufacturer in Saudi Arabia.

Term

The term of the agreement was renewed on 29/5/1434H (corresponding to 10/4/2013G0 for a period of five (5) years ending on 23/7/1439H (corresponding to 9/4/2018G).

Termination

Either party may terminate the agreement without cause upon giving 90 days' notice.

Governing Law and Jurisdiction

This agreement shall be governed by the laws of the State of Texas, United States of America.

3) Licensing Agreement between WESCOSA and Gustav Hensel GmbH & Co. KG ("Gustav")

Purpose/ License

WESCOSA entered into a licensing agreement with Gustav on 22/12/1428H (corresponding to 4/1/2008G), pursuant to which Gustav agrees to license WESCOSA to design, plan and manufacture Hensel SAS Low Voltage Distribution Panels/Boards (LVD) for distribution and sale in Saudi Arabia, GCC and Yemen.

Fees

WESCOSA undertakes to Pay Gustav a yearly licensing fee in return for it being granted a concession to manufacture the LVD panels included in this agreement, with the fees being calculated as follows:

- During the first year of the agreement, the fees shall amount to (€10,000) ten thousand Euros.
- In subsequent years, the fees shall amount to (2.5%) of the first million Euros (€1,000,000) of the sale value of products manufactured by WESCOSA and included in this agreement, in addition to (1.5%) of the net sale value of products in excess of (€1,000,000) one million Euros.

Liability and Compensation

Gustav disclaims liability for manufacture defects resulting from manufactured products which are not in accordance with Gustav designs.

Exclusivity

WESCOSA agrees not to manufacture, sell or otherwise deal in any type of LVD products which are similar to those which it is licensed to produce under the terms of this agreement.

Term

10 years from the date of the agreement ending on 16/4/1439H (corresponding to 3/1/2018G), automatically renewable; subject to each party's right to terminate the agreement upon 6 months' notice in each year following the initial term.

Termination

The agreement may be terminated by either party (i) in the event of a fundamental breach of the agreement; (ii) if WESCOSA ceases production or sale of LVD Products; or (iii) in the case of a change in the direct or indirect control or ownership of WESCOSA, which Gustav would consider as being detrimental to its interests.

The Company asserts that it is in the process of obtaining the necessary approval from Gustav pursuant to the change of ownership in WESCOSA as a result of the Company's public share offering. To date, the Company has not secured the necessary approval from Gustav. Risks relating to agreements that include a change of ownership clause and for which the Company has not yet obtained the approval of the other party have been mentioned in the Risk Factors section of this Prospectus (For more details, please refer to Section 2.1.9, entitled "Reliance on Technical Support and Licensing Agreements").

Governing Law and Jurisdiction

This agreement shall be governed by the laws of the Kingdom of Saudi Arabia.

4) Technical Support Assistance Agreement between Pauwels Trafo Belgium N.V. ("Pauwels"), STC and WESCOSA

Purpose

STC and WESCOSA entered into a technical support assistance agreement with Pauwels on 6/7/1427H (corresponding to 1/8/2006G), pursuant to which Pauwels agreed to provide technical support assistance to STC and WESCOSA for the purpose of designing, manufacturing and testing small power transformers in accordance with Pauwels designs. Pauwels has also licensed STC and WESCOSA to design and sell products worldwide for the duration of the agreement.

License

Pauwels allows STC and WESCOSA to use its trademarks in relation to the products manufactured and sold worldwide during the term of the agreement.

Fees

STC and WESCOSA undertake to jointly pay Pauwels a fixed fee in the amount of (€150,000) one hundred fifty thousand Euros, in addition to a technical assistance fee of (1.5%) on the sale of products included in this agreement.

Liability and Compensation

Pauwels undertakes to indemnify STC and WESCOSA against all damages, losses, expenses and other liabilities incurred as a result of any claim by any party for fraudulent imitation against STC or WESCOSA in respect of the use or sale of products by STC or WESCOSA in accordance with Pauwels' standards and specifications.

Pauwels undertakes to be liable for failure of performance of products manufactured by STC or WESCOSA to meet Pauwels standards, where such failure results from the application of technical data, technical information, and other specifications provided by Pauwels.

Exclusivity

Pauwels agrees not to grant any know-how to any other person or establish manufacturing facilities to produce or assemble the products in the GCC, Yemen, Syria, Lebanon, Jordan, Iraq, Egypt and Sudan without the prior consent of STC or WESCOSA; and undertakes not to sell the products included in the agreement in Saudi Arabia without the prior written consent of STC or WESCOSA.

Term

The term of this agreement is ten years beginning on 7/7/1427H (corresponding to 1/8/2006G) and ends on 26/10/1437H (corresponding to 31/7/2016G). Following the end of the term STC and WESCOSA shall be permitted to continue to use all technical information provided by Pauwels under this agreement subject to keeping this information confidential.

Termination

Either party may terminate the agreement for material breach where such breach is not remedied within 90 days of a notice provided by the non-defaulting party.

Governing Law and Jurisdiction

Disputes arising from the implementation of this agreement shall be settled through arbitration according to the rules of the International Chamber of Commerce for arbitration, with said arbitration taking place in the city of Brussels, Belgium.

5) Exclusive Agency Agreement between Saudi Transformers Company and Bin Salem Co. Ltd.

Purpose

STC entered into an Agency Agreement with Bin Salem Co. Ltd on 3/12/1432H (corresponding to 31/10/2011G). Under this agreement, STC appoints Bin Salem Co. Ltd. as exclusive sales and marketing agent for STC products in the Sultanate of Oman. In return, Bin Salem Co. Ltd. agrees under the Agreement to provide STC with administrative support follow-up on tenders entered into by STC in Oman. It also agrees to assist STC in obtaining information regarding Oman market demand, competitors' prices and new products being offered in the Oman market.

Fees

STC shall send Bin Salem Co. Ltd the price of products requested by the latter, and Bin Salem Co. Ltd shall pay the amounts due through irrevocable letters of credit.

Term

The term of this agreement is three years, automatically renewed unless one of the parties notifies the other in writing of its desire not to renew.

Termination

The agreement may be terminated by either party (i) in the event of a fundamental breach of the agreement; (ii) the bankruptcy, dissolution or liquidation of the other party; (iii) if Bin Salem Co. Ltd is unable to receive or renew the required license pursuant to the laws and regulations of the Sultanate of Oman, in order to satisfy the obligations under the agreement; or (iv) if one of the parties notifies the other party in writing of its intention to terminate the agreement 90 days prior to the date of termination.

Governing Law and Jurisdiction

The parties have agreed to resort to arbitration in case of conflict arising from this agreement. If arbitration results are not satisfactory to the parties, then they can resort to Saudi courts when such a lawsuit falls within the jurisdiction of those courts, or to Omani courts when the lawsuit falls within the jurisdiction of the latter.

6) Consultancy Agreement between WESCOSA and 3 Phase Design

Purpose

WESCOSA entered into a consultancy agreement with 3 Phase design on 3/6/1432H (corresponding to 7/5/2011G). Pursuant to this agreement, 3 Phase Design shall provide consultancy services, designs, and other services such as third party studies, pertaining to the production of an integrated system comprised of low voltage control centers, breakers and switchgear.

Exclusivity

3 Phase Design undertakes not to sell or supply to any other party the same designs that it provided to the WESCOSA under this Agreement, whether through selling directly or indirectly in the Kingdom of Saudi Arabia to any party other than WESCOSA. 3 Phase Design is also not entitled to sell these designs to any agent that may compete with WESCOSA in Saudi Arabia.

Fees

3 Phase Design shall submit invoices to WESCOSA at the end of each stage of any project designed by 3 Phase Design; invoices that WESCOSA shall pay within 15 days of receipt. It is worth mentioning that the agreement divides the project into four stages as follows:

1. The first stage: setting initial standards and designs at a cost of (£25,000) twenty five thousand Euros.
2. The second stage: final and comprehensive design at a cost of (£64,000) sixty four thousand Euros.
3. The third stage: testing the integrated system at a cost of (£45) forty five Euros for every test hour performed by 3 Phase Design. In addition to any costs associated with the travel and lodging of 3 Phase Design's work team.
4. The fourth stage: overseeing the implementation and set-up of the system at a cost of (£4,000) four thousand Euros. In addition to an agreed upon cost for a four day visit to the WESCOSA site, including costs associated with said visit.

Term

The agreement shall be in force throughout the period required for the implementation of all aforementioned stages, and shall end at the end of the last stage, unless both parties agree to amend the agreement. The Company asserts that the project is in its third stage and expected to be completed in the third quarter of 2015G. Upon the expiry of this agreement, WESCOSA can extend the duration thereof on the same terms pursuant to a written agreement with 3 Phase Design in that regard.

Termination

WESCOSA has the right to terminate the agreement pursuant to a written notice to 3 Phase Design 30 days prior to the proposed termination date, contingent upon WESCOSA paying 3 Phase Design for any work concluded under the agreement. The agreement may be also terminated in the event of a breach of any terms of the agreement by either party, with the party in breach being given 30 days to remedy the breach. The agreement shall be automatically deemed terminated in the event of any party's bankruptcy, dissolution or insolvency.

Governing Law and Jurisdiction

Both parties have agreed to amicably settle disputes relating to or arising from this agreement. If a dispute cannot be settled amicably, then one mediator can be appointed to reconcile between the two parties. If the parties abided by the previous two steps but have not reached a satisfactory solution, then they can resort to arbitration by appointing one arbitrator, with said arbitration being subject to the Saudi Law of Arbitration.

7) Agreement to Provide Consulting Services between WESCOSA and Elmecon

Purpose

WESCOSA entered into a Consulting Services Agreement with Elmecon on 3/6/1432H (corresponding to 7/5/2011G), pursuant to which Elmecon shall provide WESCOSA with consulting services and other services related to the manufacturer of medium voltage transformers, motor control centers, circuit breakers and other electrical products.

Exclusivity

Elmecon shall not sell designs of medium voltage switchgear, circuit breakers or any parts thereof, either directly or indirectly any company in the Kingdom of Saudi Arabia other than WESCOSA. Elmecon shall also not sell these designs to any agent that may compete with WESCOSA in Saudi Arabia.

Fees

Elmecon shall invoice WESCOSA at the end of each of the six stages of the agreement. WESCOSA shall be bound to pay these invoices within fifteen days of receiving them. Both parties have agreed to divide the agreed upon payments as follows:

1. First payment in the amount of (£19,000) nineteen thousand Euros (equivalent to approximately (SAR 242,470) two hundred forty-two and four hundred seventy Saudi Riyals) at the start of the project.
2. Second payment in the amount of (£38,000) thirty eight thousand Euros upon completion of the final design.
3. Third payment in the amount of (£38,000) thirty eight thousand Euros upon receipt of production data for the prototype.
4. Fourth payment in the amount of (£38,000) thirty eight thousand Euros once the prototype is complete.
5. Fifth payment when certificates are issued for all units.
6. Sixth and final payment when product manufacturing information becomes complete.

The estimated value of all payments amounts to (£190,000) one hundred ninety thousand Euros.

Term

The agreement shall be in force throughout the period required for the implementation of all aforementioned stages, and shall end at the end of the last stage, unless both parties agree to amend the agreement. The Company asserts that the third stage has been completed and that the project is expected to be completed at the beginning of 2016G. Upon the expiry of this agreement, WESCOSA can extend the duration thereof on the same terms pursuant to a written agreement with Elmecon in that regard.

Termination

WESCOSA has the right to terminate the agreement pursuant to a written notice to Elmecon 30 days prior to the proposed termination date, contingent upon WESCOSA paying Elmecon for any work concluded under the agreement. The agreement may be also terminated in the event of a breach of any terms of the agreement by either party, with the party in breach being given 30 days to remedy the breach. The agreement shall be automatically deemed terminated in the event of any party's bankruptcy, dissolution or insolvency.

Governing Law and Jurisdiction

Both parties have agreed to amicably settle disputes relating to or arising from this agreement. If a dispute cannot be settled amicably, then one mediator can be appointed to reconcile between the two parties. If the parties abided by the previous two steps but have not reached a satisfactory solution, then they can resort to arbitration by appointing one arbitrator, with said arbitration being subject to the Saudi Law of Arbitration.

8) Supply Agreement Between WESCOSA and Hyundai Heavy Industries

Purpose

WESCOSA entered into a Supply Agreement with Hyundai on 25/5/1432H (corresponding to 29/4/2011G), pursuant to which Hyundai agrees to design, manufacture and supply medium voltage vacuum circuit breakers and all components and parts thereof which conform to Saudi Electric Company specifications.

Exclusivity

Hyundai shall not sell products included in this agreement to any party other than WESCOSA in Saudi Arabia. Hyundai may however sell its products to its subsidiaries, affiliated and licensed companies. The agreement included minimum thresholds for annual sales that WESCOSA is bound to achieve.

Hyundai has the right to revoke the exclusivity agreement if WESCOSA fails to achieve the minimum agreed upon annual sales. These agreed upon thresholds are as follows:

a. 150 units in 2012G
b. 300 units in 2013G
c. 500 units in 2014G
d. 600 units in 2015G
e. 800 units in 2016G

If WESCOSA is unable to achieve (50%) of the required minimum sales thresholds four years after the agreement comes into effect, or WESCOSA cannot compete with companies that receive Hyundai products, then WESCOSA shall inform Hyundai of that fact and be entitled to receive the products at lower prices allowing it achieve the required sales thresholds.

Fees

WESCOSA shall pay for Hyundai supplied products in American Dollars through a letter of credit covering the first two purchase orders. Subsequent purchase orders can be paid by WESCOSA within 90 days of the issuance of the bill of lading for each of the purchase orders. Prices shall be fixed until 30/4/2013G, subsequent to which both parties can negotiate new product pricing every two years.

Term

This agreement shall have a term of eight years after being signed, and shall be automatically renewed unless one of the parties informs the other in writing of its desire not to renew 60 days prior to the original term expiring.

Termination

The agreement may be terminated by either party in the event of a breach of any terms of the agreement by the other party, with the party in breach being given 60 days written notice to remedy the breach, otherwise the agreement shall be deemed terminated. The agreement shall also be automatically deemed terminated in the event of any party's bankruptcy, dissolution or insolvency, with Hyundai committing to supply spare parts, after termination, for any installed products for a period of five years.

Governing Law and Jurisdiction

This agreement and any disputes arising therefrom shall be governed by the laws and courts of England.

9) Joint Trade Agreement between WESCOSA and Hyundai Heavy Industries

Purpose

WESCOSA entered into a Joint Trade Agreement with Hyundai Heavy Industries on 25/7/1432H (corresponding to 27/6/2011G), under which Hyundai Heavy Industries, as the designer, manufacturer and supplier of low voltage motor control centers, breakers and switchgears, will provide its products to WESCOSA, in its capacity as producer and seller of power equipment in the Kingdom of Saudi Arabia.

Exclusivity

Hyundai shall exclusively provide its products in Saudi Arabia to WESCOSA, except for Hyundai supplying its products to its subsidiaries, related companies, and companies licensed by Hyundai.

Fees

WESCOSA shall pay for Hyundai supplied products in American Dollars through a letter of credit covering the first two purchase orders. Subsequent purchase orders can be paid by WESCOSA within 90 days of the issuance of the bill of lading for each of the purchase orders. Prices shall be fixed until 20/6/1434H (corresponding to 30/4/2013G). Hyundai can renegotiate the fees with WESCOSA if the London Metal Exchange rises by (10%) after that date.

Term

Six years from the signature of the agreement, to be automatically renewed for two more years, unless either party notifies the other in writing of its intention not to renew the agreement 60 days before the end of the original six year period. The agreement may be terminated by either party in the event of a breach of any terms of the agreement by the other party, with the party in breach being given 60 days written notice to remedy the breach, otherwise the agreement shall be deemed terminated.

Termination

The agreement shall be terminated upon either party's bankruptcy or liquidation.

Governing Law and Jurisdiction

This agreement and any disputes arising therefrom shall be governed by the laws and courts of England.

10) Joint Trade Agreement between WESCOSA and ABB Electrical Industries Company ("ABB")

Purpose

WESCOSA entered into a Joint Trade Agreement with ABB on 16/1/1433H (corresponding to 12/12/2011G), under which the parties agreed that WESCOSA shall market and sell ABB systems, while ABB shall provide technical and engineering support through the provision of the technical competencies and hardware necessary for the installation and operation of the systems.

Fees

All prices shall be in Saudi Riyals unless the parties agree otherwise. Agreed upon prices shall not include taxes, customs dues, interest, or other charges, except those that are assessed on ABB's net profit.

Liability and Compensation

The liabilities and compensations agreed upon by the parties shall include: (i) either party shall indemnify, defend and disencumber the other for any damages, losses and expenses incurred by the other party as a result of any services provide under this agreement, or resulting from a breach of any of the parties of their obligations thereunder; (ii) ABB's aggregate liabilities towards WESCOSA shall not exceed, in any case, (50%) of the annual individual purchase order amounts or (SAR 1,000,000) one million Saudi Riyals; whichever is less; and (iii) ABB shall not be liable, in any case, for losses related to an interruption in operations, or increased cost of operations resulting from losses or product caused damages.

Term

Six years starting on 17/1/1433H (corresponding to 12/12/2011G) and ending on 23/3/1439H (corresponding to 11/12/2017G). ABB alone can renew the agreement for a period of only one year, pursuant to written notice to WESCOSA to that effect 30 days prior to the expiration of the agreement.

Termination

Both parties reserve the right to terminate the agreement upon notice in writing to the other party if any party breaches the terms of the agreement and fails to remedy the situation within 30 days of receiving said notice. Both parties may also terminate the agreement in the event of bankruptcy, insolvency or liquidation of the other party, or if the other party proclaims its intention to cease performing work assigned to it.

Furthermore, ABB alone may terminate the agreement if WESCOSA is unable to achieve its minimum guaranteed purchase levels set by WESCOSA at ($1,000,000) one million US Dollars cumulative total for the first three years of the agreement, and ($500,000) five hundred thousand US Dollars thereafter for each year remaining on the term of the agreement. ABB alone may also terminate the contract if there occurs a change in the ownership or controlling interest in WESCOSA, resulting in resolutions that do not safeguard ABB's interests. While noting that the agreement explicitly provides for ABB's

approval to the offering of (30%) of WESCOSA's shares.

Governing Law and Jurisdiction

This Agreement and any disputes arising therefrom shall be governed by the laws and courts of the Kingdom of Saudi Arabia.

11) Technology Licensing Agreement between WESCOSA and Post Glover Resistance ("Glover")

Purpose

WESCOSA entered into a Technology Licensing Agreement with Glover on 8/6/1433H (corresponding to 30/4/2012G), pursuant to which Glover agreed to grant WESCOSA a technology license for the latter's use of Glover's technology in the manufacturing of products and their sale in Arab Gulf countries.

Fees

Fee amounts to be paid by WESCOSA to Glover shall be calculated based on the prices quoted in the currency of sale. Yet, WESCOSA shall pay GLOVER in U.S. Dollars, after converting the amount and transferring it at the applicable exchange rates in force at Citibank, New York; with payments being free of any deductions or set-offs.

Liability and Compensation

Each of the two parties shall not damage and shall compensate the other for all claims and liabilities, damages and expenses arising out of or relating to: (i) death, injury or loss resulting from use of the products, (ii) any subpoenas, guarantees or recalls associated with the products; or the payment of discounts or after sales rebates on the products, (iii) any injury, loss, claim, expense or compensation for injuries suffered by technical personnel on WESCOSA premises, or due to an act, dereliction or other negligence caused by WESCOSA employees or agents.

Term

The term of this agreement is five (5) years from the signing thereof, and shall continue in effect for a period of two (2) years, unless either party gives the other party written notice of its desire not to renew the agreement.

Termination

Both parties reserve the right to terminate the agreement upon a written notice to the other party in the following cases: (i) if any party breaches the terms of the agreement and fails to remedy the situation within 60 days of receiving the notice from the other party expressing its desire to terminate the agreement as a result of the breach; (ii) in the event of bankruptcy proceedings initiated by the other party or any third party; in the event that the other party declares bankruptcy, or one of the parties relinquishes a large portion of its property or businesses to one of the creditor banks; (iii) in the event of a restructuring or change in ownership by one of the parties, which could affect the reasonable expected outcome of this agreement. The company affirms that it has obtained the approval of Glover to offer the company's shares in an IPO.

Governing Law and Jurisdiction

This agreement and any disputes arising therefrom shall be governed by the laws and courts of the Kingdom of Saudi Arabia.

13.2.2 Joint Venture Agreements

13.2.2.1 Joint Venture Agreement between STC and CG Holdings to establish CGPSSA

Overview

STC entered into a Joint Venture Agreement on 3/8/1431H (corresponding to 15/7/2010G) with CG Holdings to establish a Saudi Arabian limited liability company for the purpose of soliciting, tendering and performing EPC projects for high and medium voltage transmission and distribution projects (the "Projects") in Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates, Iraq, Yemen, Jordan, Syria, Lebanon, Egypt, Sudan, Eritrea, Djibouti and the Palestinian Territories (the "Territory"). As a result of this agreement, CGPSSA was established on 28/11/2010G and is (51%) owned by CG Holdings and (49%) owned by STC.

CG Holdings' obligations under this agreement include providing CGPSSA with technical information relating to the Projects and advising and assisting CGPSSA in securing debt financing. On the other hand, STC's obligations under the agreement include advising and assisting CGPSSA with local marketing, human resources and management requirements and compliance; security of its assets and personnel, visa procedures and related logistical requirements.

Furthermore, STC transferred the totality of its shares in CGPSSA, including all associated rights and obligations, pursuant to a Share Transfer agreement dated 20/05/2013G, making CGPSSA (51%) owned by CG Holdings and (49%) owned by EIC.

Company Structure and Roles of the Parties to the Agreement

In accordance with the terms of the agreement, the CGPSSA Board of Directors shall comprise seven directors; four appointed by CG Holdings and three appointed by STC. The Chairman shall be appointed by CG Holdings. The senior management team appointed by the Board shall include a CEO nominated by CG Holdings and approved by the Board and a chief financial officer nominated by the CEO or any of the directors and approved by the Board. CG Holdings shall also nominate a Sales and Marketing Director for CGPSSA, who shall be appointed by the Board.

The agreement provides as follows with respect to Projects:

1. CGPSSA shall have the right of first refusal to submit a quote or participate in any Project in Saudi Arabia;
2. CG Holdings shall have the right of first refusal to submit a quote or participate in any Project, in countries in the Territory other than Saudi Arabia, and excluding those involving transformers manufactured by STC.
3. CGPSSA shall have the right of first refusal to submit a quote or participate in Projects involving transformers manufactured by STC in countries in the Territory other than Saudi Arabia.

Liability and Compensation

Each party to the agreement agrees to indemnify and hold harmless the other party as well as compensate and hold CGPSSA harmless, and pay the full amount of any claims of the other party and CGPSSA in respect of any losses, liabilities or damage suffered as a result of dealing in products manufactured by the party (or its Subsidiaries).

Term

The term of this agreement is 33 years, and shall be automatically renewed for the same duration until one of the parties rescinds it or CGPSSA expires.

Share Transfer

Except for transfers to a subsidiary, no party may transfer any shares to another person before the fifth anniversary of the date of registration of CGPSSA, without the prior written consent of the other party. Any transfer of shares to a third party after the five year lock in period shall require the approval of the other party and be subject to pre-emption rights in favor of the other party. The company affirms that

it is currently working towards obtaining the approval of CG Holdings to offer the company's shares in an IPO, but, has not, to date, obtained said approval. The risks relating to agreements that include a change of ownership clause and for which the Company has not yet obtained the approval of the other party, have been mentioned in the Risk Factors section of this Prospectus (For more details, please refer to Section 2.1.9, entitled " Reliance on Technical Support and Licensing Agreements).

Competition

Each party undertakes for a period of 2 years after it (or its subsidiaries) ceases to own shares in CGPSSA that neither it nor its subsidiaries will invest in a competitor or engage or participate in Projects in Saudi Arabia, except through CGPSSA. These undertakings do not apply in circumstances where one party has acquired the other's holding in CGPSSA as a consequence of their breach of the non-competition undertaking, or where CGPSSA has been liquidated. The agreement provides that the above non-competition undertakings are not intended to restrict or limit the current activities of either party (or their subsidiaries).

Termination

In the case of a default caused by the bankruptcy or insolvency of a party, the non-defaulting party may terminate the agreement, by electing to purchase all the shares in CGPSSA then held by the defaulting party and its subsidiaries at a price equal to (100%) of the fair market value. In all other cases, the non-defaulting party may either elect to purchase the defaulting party's shares in CGPSSA at a price equal to (75%) of the fair market value, or require the defaulting party to purchase all of its shares in CGPSSA at a price equal to (125%) of the fair market value. Alternatively, the non-defaulting party may require the defaulting party to take any action as may be necessary to liquidate CGPSSA including voting in favor of liquidation at a General Assembly Meeting of shareholders.

A party becomes a defaulting party if (i) a petition seeking adjudication of bankruptcy or insolvency is filed by or against the party (or a person controlling that party); proceedings for the dissolution or liquidation of a party (or a person controlling that party) are commenced; or a receiver, administrator or trustee is appointed in respect of a substantial portion of the business or assets of a party (or a person controlling that party); (ii) a party merges with or disposes of substantially all of its assets to a third party which is a competitor ; (iii) a party is in violation of its non-competition undertakings; or (iv) a party is in default of an obligation which causes a material adverse effect, to the other party or CGPSSA, and fails to remedy such default within 120 days of receiving written notification from the other party.

Governing Law and Jurisdiction

This agreement will be governed and construed in accordance with the laws applicable in the Kingdom of Saudi Arabia. The parties will seek to resolve any dispute arising out of or in connection with this agreement and the matters contemplated herein amicably by choosing a mediator to reconcile between them under the rules of the International Chamber of Commerce for the amicable settlement of the dispute. If efforts to settle the dispute amicably are unsuccessful, then the parties can resort to arbitration under the rules of the International Chamber of Commerce for arbitration. Arbitration shall take place in Geneva, Switzerland, with the arbitral tribunal consisting of three arbitrators.

13.2.2.2 Manufacturing Joint Venture Agreement Between STC and CG Power to Establish the Saudi Power transformers Company (SPTC)

Overview

STC entered into a Manufacturing Joint Venture Agreement on 3/8/1431H (corresponding to 15/7/2010G) with CG Power to establish a Saudi Arabian limited liability company for the purpose of establishing and operating a manufacturing facility to manufacture and sell medium capacity power transformers (the "Products") using the expertise, proprietary know-how and processes owned or possessed by CG Power. As a result of this agreement, SPTC was established on 28/11/2010G and is (51%) owned by STC and (49%) owned by CG Power.

CG Powers obligations under this agreement include performing joint manufacturing projects and provide technical support and consulting to SPTC, as well as help it secure debt financing. On the other hand, STC's obligations under the agreement include advising and assisting SPTC with local

marketing, human resources and management requirements and compliance; security of its assets and personnel, visa procedures and related logistical requirements, as well as help SPTC secure debt financing.

Furthermore, STC transferred the totality of its shares in SPTC, including all associated rights and obligations, pursuant to a Share Transfer Agreement dated 20/5/2013G, making SPTC (51%) owned by EIC and (49%) owned by CG Power.

SPTC incurred cumulative losses exceeding (50%) of its share capital as at 30/6/2014G. Its Shareholders have unanimously agreed, by virtue of a decision dated 6/11/1435H (corresponding to 1/9/2014G), to maintain company operations and providing financial support to cover those losses; with the results of this support being reflected in the next budget. The Company notes that it has signed-off on this decision, while CG Power is in the process of also signing-off on it.

Company Structure and Roles of the Parties to the Agreement

In accordance with the terms of the agreement, the SPTC board of directors shall comprise seven directors; four appointed by STC and three appointed by CG Power. The senior management team appointed by the Board shall include a CEO nominated by STC and approved by the Board and a chief financial officer nominated by the CEO or any of the directors and approved by the Board. The Technical Director shall be appointed by the Board based following his nomination by one of the Directors.

The agreement provides as follows with respect to Products:

1. Subject to pre-qualification of Products in the relevant country, SPTC shall have the right of first refusal ("RoFR") to supply Products in Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates, Yemen, Sudan, Eritrea, Djibouti and the Palestinian Territories ("SPTC RoFR Territory"); and
2. Subject to pre-qualification of Products in the relevant country, CG Power shall have the RoFR to supply Products in Jordan, Syria, Lebanon, Egypt, and Iraq ("CG Power RoFR Territory").

Liability and Compensation

Each party agrees to indemnify and hold harmless the other party and STC, and pay the full amount of any claims of the other party and SPTC in respect of any losses, liabilities or damage suffered as a result of dealing in products manufactured by the party (or its subsidiaries).

Term

The term of this agreement is 33 years, and shall be automatically renewed for the same duration until one of the parties rescinds it or SPTC expires.

Share Transfer

Except for transfers to a Subsidiary, no party may transfer any shares to another person before the fifth anniversary of the date of registration of SPTC, without the prior written consent of the other party. Any transfer of shares to a third party after the five year lock in period shall require the approval of the other party and be subject to pre-emption rights in favor of the other party. The Company affirms that it is currently working towards obtaining the approval of CG Power to offer the Company's Shares in an IPO, but, has not, to date, obtained said approval. The risks relating to agreements that include a change of ownership clause and for which the Company has not yet obtained the approval of the other party, have been mentioned in the Risk Factors section of this Prospectus (For more details, please refer to Section 2.1.9, entitled "Reliance on Technical Support and Licensing Agreements")

Competition

Each party undertakes for a period of 2 years after it (or its Subsidiaries) ceases to own shares in SPTC that neither it nor its Subsidiaries will invest in a competitor or engage or participate in Projects in Saudi Arabia, except through SPTC. These undertakings do not apply in circumstances where one party has acquired the other's holding in SPTC as a consequence of their breach of the non-competition undertaking, or where SPTC has been liquidated. The agreement provides that the above non-competition undertakings are not intended to restrict or limit the current activities of either party (or their Subsidiaries).

Termination

In the case of a default caused by the bankruptcy or insolvency of a party, the non-defaulting party may terminate the agreement, by electing to purchase all the shares in SPTC then held by the defaulting party and its subsidiaries at a price equal to (100%) of the fair market value. In all other cases, the non-defaulting party may either elect to purchase the defaulting party's shares in SPTC at a price equal to (75%) of the fair market value, or require the defaulting party to purchase all of its shares in SPTC at a price equal to (125%) of the fair market value. Alternatively, the non-defaulting party may require the defaulting party to take any action as may be necessary to liquidate SPTC including voting in favor of liquidation at a General Assembly Meeting of shareholders.

A party becomes a defaulting party if (i) a petition seeking adjudication of bankruptcy or insolvency is filed by or against the party (or a person controlling that party); proceedings for the dissolution or liquidation of a party (or a person controlling that Party) are commenced; or a receiver, administrator or trustee is appointed in respect of a substantial portion of the business or assets of a party (or a person controlling that party); (ii) a party merges with or disposes of substantially all of its assets to a third party which is a competitor ; (iii) a party is in violation of its non-competition undertakings; or (iv) a party is in default of an obligation which causes a material adverse effect, to the other party or SPTC, and fails to remedy such default within 120 days of receiving written notification from the other party.

Governing Law and Jurisdiction

This agreement will be governed and construed in accordance with the laws applicable in the Kingdom of Saudi Arabia. The parties will seek to resolve any dispute arising out of or in connection with this agreement and the matters contemplated herein amicably by choosing a mediator to reconcile between them under the rules of the International Chamber of Commerce for the amicable settlement of the dispute. If efforts to settle the dispute amicably are unsuccessful, then the parties can resort to arbitration under the rules of the International Chamber of Commerce for arbitration. Arbitration shall take place in Geneva, Switzerland, with the arbitral tribunal consisting of three arbitrators.

13.2.2.3 License and Technical Assistance Agreement Between SPTC and CG Power

Overview

SPTC entered into a License and Technical Assistance Agreement on 15/7/2010G pursuant to which CG Power will license and make available to SPTC the intellectual property and technology for the evaluation, design, engineering, manufacturing, testing and sale of the Products in Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates, Yemen, Iraq, Sudan, Eritrea, Djibouti, Jordan, Lebanon, Syria, Egypt and the Palestinian Territories (the "Territory").

Licensed Property Rights

Under the terms of this agreement, CG Power grants SPTC an irrevocable and exclusive right and perpetual right to use the "Licensed Technology" in the Territory which includes the license and right to (i) use and exploit the technical information and the technical data; (ii) practice under the licensed patents (which relate to the Products); (iii) design, manufacture and test the Products; and (iv) sell the Products in the Territory.

CG Power undertakes not to grant any other license to the "Licensed Technology" in the Territory and to provide all intellectual property, technical data and information and to provide all technical support relation to the set-up, operation and maintenance of plant which is to be built to manufacture the Products.

CG Power also grants to SPTC an irrevocable, royalty free and exclusive license for the term of the LTA Agreement to use CG Power's trademarks in connection with the operation of the plant and the manufacture and sale of the Products in the Territory.

SPTC is prohibited from granting any sublicenses to the Licensed Technology for producing Products or the CG Power trademarks without the prior written consent of CG Power.

In consideration of the Licensed Technology and technical assistance provided by CG Power, SPTC agrees to pay to CG Power a lump sum "Technology Licensing Fee" in several installments, (60%) of

which is contingent on successful testing of the Products. SPTC has also agreed to pay an ongoing technical assistance fee payable commencing from the third anniversary of the LTA Agreement which is calculated as a percentage of net sales but subject to a cap.

Liability and Compensation

Under the LTA Agreement, CG Power shall be liable for failure of performance of the Products, to the extent that the failure arises from a fault in technical assistance, technical data and information or specifications for manufacture of the Products provided by CG Power.

Termination

Either party may terminate the agreement if the other party breached one of the terms of the agreement, which is not remedied within 45 days of receiving notice from the non-defaulting party and the insolvency of the any one of the parties. Either party may also terminate the agreement in the event of the party's bankruptcy. In case STC decided to acquire CG Power's interest in SPTC under the agreement in a default scenario, the LTA Agreement shall remain in force for a minimum period of 5 years from the date of acquisition.

Term

The term of this agreement is 33 years, and shall be automatically renewed for the same duration unless one of the parties gives notice of its intention not to renew, prior to the expiration of the term.

Governing Law and Jurisdiction

This agreement will be governed and construed in accordance with the laws applicable in Belgium. The parties will seek to resolve any dispute arising out of or in connection with this agreement and the matters contemplated herein amicably by choosing a mediator to reconcile between them under the rules of the International Chamber of Commerce for the amicable settlement of the dispute. If efforts to settle the dispute amicably are unsuccessful, then the parties can resort to arbitration under the rules of the International Chamber of Commerce for arbitration. Arbitration shall take place in Geneva, Switzerland, with the arbitral tribunal consisting of three arbitrators.

13.2.2.4 Commercial Cooperation Agreement Between SPTC, CGPSSA, CG Power and CG Holdings

SPTC entered into a Commercial Cooperation Agreement (the "ComCo Agreement") on 15/7/2010G with CGPSSA, CG Power and CG Holdings pursuant to which the parties have agreed to establish a common marketing platform to make the best use of the opportunities for the Projects and Products and CG Power's products within the Territory.

The platform, referred to as the "Saudi Arabia Sales Market" in the ComCo Agreement, will be established as part of CGPSSA and will be headed by the Sales and Marketing Director of CGPSSA, whose responsibilities will include developing the marketing plan for the Products and Projects.

The ComCo Agreement shall remain in full force and effect until such time as either the Licensing and Technical Support agreement or the Manufacture JVA has been terminated.

13.2.3 Summary of Material Financing Arrangements

The Company's subsidiaries have entered into a number of financing arrangements in the ordinary course of business. The company acknowledges that all material financing arrangements have been included in this summary, as well as all the major items for all financing agreements, guarantees, promissory notes and other material financing arrangements, and that there are no breaches of the terms or commitments of financing contracts, except as mentioned in this section. Some of the financing agreements entered into by the Subsidiaries include a clause giving the creditor the right to terminate the agreement when the Company changes ownership without the prior consent of the other party. The Subsidiaries have obtained most of those approvals, as mentioned in the summary of each financing agreement that includes a change of ownership clause; furthermore, agreements that that still lack the required approvals were also mentioned. Risks associated with funding agreements in general were dealt with in the Risk Factors section of this Prospectus (For more details, please refer to Section 2.1.26, entitled "Financing and Credit Facilities Risks").

The following is a summary of the material financing arrangements entered into by the Subsidiaries:

13.2.3.1 Al Rajhi Bank Facilities for STC

STC entered into a facilities agreement with Al Rajhi Bank ("Al Rajhi") on 28/2/1435H (corresponding to 1/1/2014G) for an aggregate amount of (SAR 200,000,000) two hundred million Saudi Riyals (the "STC Rajhi Facilities Agreement") governed by the laws of the Kingdom of Saudi Arabia. The total main Rajhi facilities' amount afforded to STC and WESCOSA is joint between them. (For more details, please refer to Section 13.2.3.2, entitled "Al-Rajhi Bank facilities for WESCOSA").The STC Rajhi Facilities Agreement comprises the following facilities with the corresponding sub-limits:

a. Deferred sale contracts: (SAR 150,000,000) one hundred fifty million Saudi Riyals valid for twelve months;

b. Musharaka contracts: (SAR 20,000,000) twenty million Saudi Riyals valid for nine months; and

c. Letters of guarantee: (SAR 30,000,000) thirty million Saudi Riyals valid for thirty-six months.

The purpose of the letters of guarantee facility is the provision of guarantees in favor of government entities and other quasi-governmental entities. The deferred sale contracts, musharaka contracts and letters of guarantee facilities are available for use by WESCOSA and are also covered by a separate facility agreement.

Covenants

STC covenants that:

Neither it, nor any of its subsidiaries, holding companies, or group companies will change any of their constitutive documents in a manner that Al-Rajhi would consider to have a material adverse effect in relation to the main STC Al Rajhi Facilities Agreement.

Any change to the legal form of STC or its shareholders will not have an effect on the continued validity of the main STC Al Rajhi Facilities Agreement and STC undertakes to inform to Al Rajhi of any such change upon its occurrence.

STC undertakes that the leverage ratio (total liabilities to net equity) will not exceed 1:2 throughout the financing period and that STC will transfer no less than (25%) of annual sales to the account.

Deferred Sale Agreement

STC and Al Rajhi entered into a deferred sale agreement on 28/2/1435H (corresponding to 1/1/2014G) pursuant to which the parties agree to enter into contracts for the deferred sale of commodities from Al Rajhi to STC. The agreement sets out the terms and conditions of each sale contract, including the method of executing such sales, certain covenants and undertakings and the fees and expenses applicable to such sales.

General Terms and Conditions of Letters of Guarantee - STC

STC and Al Rajhi entered into an agreement on 28/2/1435H (corresponding to 1/1/2014G) pursuant to which STC agrees to certain general terms and conditions for the issuance of letters of guarantee by Al Rajhi on its behalf.

WESCOSA Guarantee for STC's obligations

A guarantee dated 28/2/1435H (corresponding to 1/1/2014G) was provided by WESCOSA in favor of Al Rajhi. The guaranteed obligations are all of STC's obligations to Al Rajhi under the STC Main Al Rajhi Facilities Agreement. The terms of the guarantee state that Al Rajhi is authorized at any time to set off and use WESCOSA's assets and deposits held with Al Rajhi to settle STC's obligations to Al Rajhi. STC has in turn cross-guaranteed WESCOSA's obligations to Al Rajhi (please see below).

Company's Guarantee for STC's obligations

A guarantee dated 28/2/1435H (corresponding to 1/1/2014G) was provided by the Company in favor of Al Rajhi. The guaranteed obligations are all of STC's obligations to Al Rajhi under the STC Main Al Rajhi

Facilities Agreement. The terms of the guarantee state that Al Rajhi is authorized at any time to set off and use the Company's assets and deposits held with Al Rajhi to settle STC's obligations to Al Rajhi.

Promissory Notes

STC has provided three promissory notes to Al Rajhi in the amounts of (SAR 153,193,750) one hundred fifty-three million one hundred ninety-three thousand seven hundred fifty Saudi Riyals dated 20/2/1435H (corresponding to 24/12/2013G); (SAR 20,000,000) twenty million Saudi Riyals and (SAR 30,000,000) thirty million Saudi Riyals dated 28/2/1435H (corresponding to 1/1/2014G). Each promissory note has been countersigned by STC in favor of Al Rajhi, with WESCOSA and the Company as guarantors.

Al Rajhi Bank's consent to the Company's share offering

STC provided Al Rajhi Bank with a notice indicating that the Company was in the process of offering a portion of its shares in an IPO. The bank signed a receipt for the notice and affirmed that, in its opinion, the offering did not constitute a breach of the agreement.

13.2.3.2 Al Rajhi Bank Facilities for WESCOSA

WESCOSA entered into a facilities agreement with Al Rajhi Bank on 28/2/1435H (corresponding to 1/1/2014G) for an aggregate amount of (SAR 200,000,000) two hundred million Saudi Riyals ("Main Al Rajhi Facilities Agreement"). The WESCOSA Rajhi Facilities amount is a joint total amount to be used by both STC and WESCOSA (for more details, please refer to Section 13.2.3.1 entitled "Al Rajhi Bank Facilities for STC"). The agreement is governed by the laws of KSA and comprises the following facilities with the corresponding sub-limits:

a. Deferred sale contracts: (SAR 150,000,000) one hundred fifty million Saudi Riyals valid for twelve months;

b. Musharaka contracts: (SAR 20,000,000) twenty million Saudi Riyals valid for nine months; and

c. Letters of guarantee: (SAR 30,000,000) thirty million Saudi Riyals valid for thirty-six months (the preliminary guarantees are valid for 12 months).

This agreement is similar to the aforementioned STC Main Rajhi Facilities Agreement.

Covenants

Neither it, nor any of its subsidiaries, holding companies, or group companies will change any of their constitutive documents in a manner that Al-Rajhi would consider to have a material adverse effect in relation to the Second WESCOSA Al Rajhi Facilities Agreement.

Any change to the legal form of WESCOSA or its shareholders will not have an effect on the continued validity of the Second WESCOSA Al Rajhi Facilities Agreement and WESCOSA undertakes to inform to Al Rajhi of any such change upon its occurrence.

WESCOSA undertakes that the leverage ratio (total liabilities to net equity) will not exceed 1:2 throughout the financing period, and that WESCOSA will transfer no less than (25%) of annual sales to the account.

Deferred Sale Agreement

WESCOSA and Al Rajhi entered into a deferred sale agreement on 28/2/1435H (corresponding to 1/1/2014G) pursuant to which the parties agree to enter into contracts for the deferred sale of commodities from Al Rajhi to WESCOSA. The agreement sets out the terms and conditions of each sale contract, including the method of executing such sales, certain covenants and undertakings and the fees and expenses applicable to such sales.

General Terms and Conditions of Letters of Guarantee - WESCOSA

WESCOSA and Al Rajhi entered into an agreement on 28/2/1435H (corresponding to 1/1/2014G) pursuant to which WESCOSA agrees to certain general terms and conditions for the issuance of letters of guarantee by Al Rajhi on its behalf.

STC Guarantee for WESCOSA's obligations

A guarantee dated 20/2/1435H (corresponding to 24/12/2013G) was provided by STC in favor of Al Rajhi. The guaranteed obligations are all of WESCOSA's obligations to Al Rajhi under the WESCOSA Main Al Rajhi Facilities Agreement. The terms of the guarantee state that Al Rajhi is authorized at any time to set off and use STC's assets and deposits held with Al Rajhi to settle WESCOSA's obligations to Al Rajhi. In turn, the Company provided a guarantee in favor of Al-Rajhi Bank to guarantee STC's obligations (as listed below).

Company's Guarantee for WESCOSA's obligations

A guarantee dated 28/2/1435H (corresponding to 1/1/2014G) was provided by the Company in favor of Al Rajhi. The guaranteed obligations are all of WESCOSA's obligations to Al Rajhi under the WESCOSA Al Rajhi Facilities Agreement. The terms of the guarantee state that Al Rajhi is authorized at any time to set off and use the Company's assets and deposits held with Al Rajhi to settle WESCOSA's obligations to Al Rajhi.

Promissory Notes

WESCOSA has provided three promissory notes to Al Rajhi in the amounts of (SAR 153,193,750) one hundred fifty-three million one hundred ninety-three thousand seven hundred fifty Saudi Riyals; (SAR 20,000,000) twenty million Saudi Riyals and (SAR 30,000,000) thirty million Saudi Riyals. Each order note has been countersigned by WESCOSA in favor of Al Rajhi, with STC and EIC as guarantors.

Al Rajhi Bank's consent to the Company's share offering

WESCOSA provided Al Rajhi Bank with a notice indicating that the Company was in the process of offering a portion of its shares in an IPO. The bank signed a receipt for the notice and affirmed that, in its opinion, the offering did not constitute a breach of the agreement.

13.2.3.3 Additional Al Rajhi Bank Facilities for STC

STC entered into a facilities agreement with Al Rajhi Bank on 13/9/1434H (corresponding to 21/7/2013G) for an aggregate amount of (SAR 100,000,000) one hundred million Saudi Riyals (the "Additional STC Al Rajhi Facilities Agreement") governed by the laws of the Kingdom of Saudi Arabia. The Additional STC Al Rajhi Facilities Agreement comprises deferred sales contracts facility for the purposes of financing expansion requirements and the costs of changing machines. Pursuant to WESCOSA and STC guarantees to Al Rajhi, Al Rajhi has the right to utilize these guarantees to pay any obligations outstanding from STC to Al Rajhi. The last repayment under the Additional STC Al Rajhi Facilities Agreement is to be made on 18/11/1439H (corresponding to 31/7/2018G).

Covenants

1. Neither it, nor any of its subsidiaries, holding companies, or group companies will change any of their constitutive documents in a manner that Al-Rajhi would consider to have a material adverse effect in relation to the Additional STC Al Rajhi Facilities Agreement.
2. Any change to the legal form of STC or its shareholders will not have an effect on the continued validity of the Additional STC Al Rajhi Facilities Agreement and STC undertakes to inform to Al Rajhi of any such change upon its occurrence.
3. There are no covenants, other than to deliver the guarantees and promissory notes and to provide Al Rajhi with the annual financial statements within ninety days from the end of the fiscal year, as well as the quarterly financial statements.

Deferred Sale Agreement

STC and Al Rajhi entered into a deferred sale agreement on 13/9/1434H (corresponding to 21/7/2013G) pursuant to which the parties agree to enter into contracts for the deferred sale of commodities from Al Rajhi to STC. The agreement sets out the terms and conditions of each sale contract, including the method of executing such sales, certain covenants and undertakings and the fees and expenses applicable to such sales.

WESCOSA's Guarantee for STC's Obligations

A guarantee dated 13/9/1434H (corresponding to 21/7/2013G) was provided by WESCOSA in favor of Al Rajhi. The guaranteed obligations are all of STC's obligations to Al Rajhi under the Additional STC Al Rajhi Facilities Agreement dated 13/9/1434H (corresponding to 21/7/2013G). The terms of the guarantee state that Al Rajhi is authorized at any time to set off and use WESCOSA's assets and deposits held with Al Rajhi to settle STC's obligations to Al Rajhi.

Company's Guarantee for WESCOSA's obligations

A guarantee dated 13/9/1434H (corresponding to 21/7/2013G) was provided by the Company in favor of Al Rajhi. The guaranteed obligations are all of STC's obligations to Al Rajhi under the Additional STC Al Rajhi Facilities Agreement dated 13/9/1434H (corresponding to 21/7/2013G). The terms of the guarantee state that Al Rajhi is authorized at any time to set off and use the Company's assets and deposits held with Al Rajhi to settle STC's obligations to Al Rajhi.

Promissory Notes

STC has provided one promissory note to Al Rajhi in the amounts of (SAR 111,406,250) one hundred eleven million four hundred six thousand two hundred and fifty Saudi Riyals on 13/9/1434H (corresponding to 21/7/2013G), and sixteen (16) promissory notes, each for (SAR 6,962,891) six million nine hundred sixty-two thousand eight hundred ninety-one Saudi Riyals, one for each installment to be repaid under the Additional STC Al Rajhi Facilities Agreement dated 13/9/1434H (corresponding to 21/7/2013G). All promissory notes have been signed by STC and the Company as guarantors.

Al Rajhi Bank's consent to the Company's share offering

STC provided Al Rajhi Bank with a notice indicating that the Company was in the process of offering a portion of its shares in an IPO. The bank signed a receipt for the notice and affirmed that, in its opinion, the offering did not constitute a breach of the agreement.

Use of Al Rajhi Facilities

The Company confirms that as of 30/5/1435H (corresponding to 31/3/2014G), an amount of (SAR 116,458,771) one hundred sixteen million four hundred fifty-eight thousand seven hundred seventy-one Saudi Riyals has been used. This amount represents the total use of all facilities made available to the Company and its subsidiaries.

13.2.3.4 Riyad Bank Facilities for STC

STC entered into a credit facilities agreement and a letter setting out the sub-limits of each facility with Riyad Bank on 26/12/1433H (corresponding to 11/11/2012G) for an aggregate principal amount of (SAR 77,000,000) seventy-seven million Saudi Riyals (together, the "STC Riyad Facilities Agreement") governed by the laws of the Kingdom of Saudi Arabia. The facilities are available until 24/1/1437H (corresponding to 6/11/2015G).

The agreement comprises the following facilities with the corresponding sub-limits:

1. Overdraft Facility for working capital requirements: (SAR 1,000,000) one million Saudi Riyals;
2. Revolving tawarruq facility for working capital requirements: (SAR 19,000,000) nineteen million Saudi Riyals;
3. Revolving tawarruq facility for the payment of suppliers invoices: (SAR 20,000,000) twenty million Saudi Riyals;
4. Direct Credit Substitutes: (SAR 20,000,000) twenty million Saudi Riyals;
5. Tawarruq facility for re-financing of letters of credit for the financement of documentary credits: (SAR 20,000,000) twenty million Saudi Riyals (a sub-limit of the direct credit substitute's limit – item 4 above);
6. Foreign Exchange Swaps for trade finance purposes: (SAR 2,000,000) two million Saudi Riyals; and
7. Letters of guarantee: (SAR 15,000,000) fifteen million Saudi Riyals.

STC agrees to provide guarantees from each of its shareholders in proportion to their shareholding in STC.

Covenants

STC undertakes to inform Riyad Bank immediately of any change in its legal structure, shareholder ownership, or business activities that would affect Riyad Bank's position concerning the validity of the facility agreement offered to STC. STC further undertakes to provide any information or data requested by the Bank from time to time on its activity and financial position and the Company authorizes the Bank to obtain any such information that concerns it. STC further undertakes to give any information on the change of its financial, administrative and legal position.

General Terms and Conditions of Letters of Guarantee and Documentary Credits

STC and Riyad Bank entered into an agreement on 26/12/1433H (corresponding to 11/11/2012G) setting out the general terms and conditions for the issuance of letters of guarantee by Riyad Bank on STC's behalf.

Islamic Finance Agreement

STC entered into an Islamic financing agreement with Riyad Bank on 26/12/1433H (corresponding to 11/11/2012G) in relation to the mechanics of the tawarruq facilities pursuant to the STC Riyad Facilities Agreement whereby Riyad Bank agrees to make available to STC a revolving tawarruq facility in an amount of (SAR 59,000,000) fifty-nine million Saudi Riyals.

The Islamic finance agreement is accompanied by a power of attorney dated 26/12/1433H (corresponding to 11/11/2012G) from STC in favor of Riyad Bank, pursuant to which STC authorizes Riyad Bank to sell products purchased pursuant to the Islamic finance agreement on STC's behalf.

Credit Facilities Contract

STC entered into a credit facilities contract with Riyad Bank on 26/12/1433H (corresponding to 11/11/2012G) for a maximum amount of (SAR 38,000,000) thirty-eight million Saudi Riyals to be made available in the form of overdraft limits, loans and documentary credits including letters of credit and issuance of letters of guarantee and treasury products and any other form, as the bank may inform the Company from time to time. This contract is governed by the laws of the Kingdom of Saudi Arabia.

Among other obligations, STC covenants to inform Riyad Bank immediately of any change in its legal structure or shareholding and to provide legal documents evidencing the same, as deemed acceptable by Riyad Bank. Furthermore, STC agrees to immediately sign documents and to provide any other guarantees, as required by the Bank.

Shareholders Several Guarantee (Pro Rated)

A guarantee dated 26/12/1433H (corresponding to 11/11/2012G) was provided by the companies that own STC in favor of Riyad Bank. The guaranteed obligations are all of STC's obligations to Riyad Bank up to a limit of (SAR 77,000,000) seventy-seven million Saudi Riyals. Each shareholder's liability is in proportion to its shareholding in STC. The terms of the guarantee state that Riyad Bank is authorized at any time to set off and use the shareholders' assets and deposits held with Riyad Bank to settle STC's obligations to Riyad Bank.

Promissory Notes

STC has provided two promissory notes to Riyad Bank in the amounts of (SAR 1,350,000) one million three hundred fifty thousand Saudi Riyals and (SAR 77,000,000) seventy-seven million Saudi Riyals dated 26/12/1433H (corresponding to 11/11/2012G). Each promissory note has been countersigned by STC, with WESCOSA and the Company as guarantors.

Riyad Bank's consent to the Company's share offering

STC provided Riyad Bank with a notice indicating that the Company was in the process of offering a portion of its shares in an IPO. The bank signed a receipt for the notice and affirmed that, in its opinion, the offering did not constitute a breach of the agreement.

13.2.3.5 Riyad Bank Facilities for WESCOSA

WESCOSA entered into a credit facilities agreement and a letter setting out the sub-limits of each facility with Riyad Bank on 15/1/1433H (corresponding to 11/12/2011G) for an aggregate principal amount of (SAR 122,500,000) one hundred and twenty-two million five hundred thousand Saudi Riyals (together, the "WESCOSA Riyad Facilities Agreement") governed by the laws of the Kingdom of Saudi Arabia. The facilities are available until 30/12/1435H (corresponding to 24/10/2014G).

The agreement comprises the following facilities with the corresponding sub-limits:

1. Revolving tawarruq facility for working capital requirements: (SAR 40,000,000) forty million Saudi Riyals;
2. Revolving tawarruq facility for the payment of suppliers' invoices: (SAR 20,000,000) twenty million Saudi Riyals;
3. Direct Credit Substitutes: (SAR 30,000,000) thirty million Saudi Riyals;
4. Tawarruq re-finance of letters of credit for refinancing of documentary credits: (SAR 30,000,000) thirty million Saudi Riyals (a sub-limit of direct credit substitutes limits - item 4 above);
5. Foreign Exchange Swaps for trade finance purposes: (SAR 2,500,000) two million five hundred thousand Saudi Riyals; and
1. Letters of guarantee: (SAR 30,000,000) thirty million Saudi Riyals.

WESCOSA agrees to provide guarantees from each of its shareholders in proportion to their shareholding in WESCOSA

Covenants

WESCOSA undertakes to provide any information or data requested by the Bank from time to time on its activity and financial position and the Company authorizes the Bank to obtain any such information that concerns it. WESCOSA further covenants to inform Riyad Bank immediately of any change in its legal structure, shareholding or business activities that could, in Riyad Bank's opinion, impact the validity of the WESCOSA Riyad Facilities Agreement.

General Terms and Conditions of Letters of Guarantee and Documentary Credits

WESCOSA and Riyad Bank entered into an agreement on 15/1/1433H (corresponding to 11/12/2011G) setting out the general terms and conditions for the issuance of letters of guarantee by Riyad Bank on WESCOSA's behalf.

Credit Facilities Contract

WESCOSA entered into a credit facilities contract with Riyad Bank on 15/1/1433H (corresponding to 11/12/2011G) for a maximum amount of (SAR 62,500,000) sixty-two million five hundred thousand Saudi Riyals to be made available in the form of overdraft limits, loans and opening of documentary credits including letters of credit, issuance of letters of guarantee, treasury products and any other form, as the Bank may inform the Company from time to time. This Contract is governed by the laws of the Kingdom of Saudi Arabia.

Among other obligations, WESCOSA covenants to inform Riyad Bank immediately of any change in its legal structure or shareholding and to provide legal documents evidencing the same as deemed acceptable by the Bank. Furthermore, WESCOSA agrees to immediately sign documents and to provide any other guarantees, as required by the Bank.

Islamic Finance Agreement

WESCOSA entered into an Islamic financing agreement with Riyad Bank on 15/1/1433H (corresponding to 11/12/2011G) in relation to the mechanics of the tawarruq facilities pursuant to the WESCOSA Riyad Facilities Agreement whereby Riyad Bank agrees to make available to WESCOSA revolving tawarruq facilities in an aggregate amount of (SAR 60,000,000) sixty million Saudi Riyals for working capital requirements and a tawarruq refinance facility in an amount of (SAR 30,000,000) thirty million Saudi Riyals for the refinancing of documentary credits.

The Islamic finance agreement is accompanied by a power of attorney dated 15/1/1433H (corresponding to 11/12/2011G) from WESCOSA in favor of Riyad Bank, pursuant to which WESCOSA authorizes Riyad Bank to sell products purchased pursuant to the Islamic finance agreement on WESCOSA's behalf.

Shareholders Several Guarantee (Pro Rated)

A guarantee dated 15/1/1433H (corresponding to 11/12/2011G) was provided by STC and the Company. The guaranteed obligations are all of WESCOSA's obligations to Riyad Bank up to a limit of (SAR 122,500,000) one hundred twenty-two million five hundred thousand Saudi Riyals. Each shareholder's liability is in proportion to its shareholding in WESCOSA. The terms of the guarantee state that Riyad Bank is authorized at any time to set off and use the shareholders' assets and deposits held with Riyad Bank to settle WESCOSA's obligations to Riyad Bank.

Promissory Notes

WESCOSA has provided one promissory note to Riyad Bank in the amount of (SAR 122,500,000) one hundred twenty-two million five hundred thousand Saudi Riyals on 15/1/1433H (corresponding to 11/12/2011G).This promissory note has been signed by WESCOSA, with STC and the Company as guarantors.

Riyad Bank's consent to the Company's share offering

WESCOSA provided Riyad Bank with a notice indicating that the Company was in the process of offering a portion of its shares in an IPO. The bank signed a receipt for the notice and affirmed that, in its opinion, the offering did not constitute a breach of the agreement.

Use of Riyad Bank Facilities in General

The Company confirms that as of 30/5/1435H (corresponding to 31/3/2014G), an amount of (SAR 19,882,697) nineteen million eight hundred eighty-two thousand six hundred ninety-seven Saudi Riyals has been used. This amount represents the total use of all facilities made available to the Company and its subsidiaries.

13.2.3.6 Samba Financial Group Facilities for STC

STC entered into a facilities agreement with Samba Financial Group ("Samba") on 13/8/1435H (corresponding to 11/6/2014G) for an aggregate amount of (SAR 160,000,000) one hundred and sixty million Saudi Riyals (the "STC Samba Facilities Agreement") governed by the laws of the Kingdom of Saudi Arabia. The STC Samba Facilities Agreement comprises the following facilities and corresponding sub-limits:

1. Overdraft/short-term loans facility for working capital requirements: (SAR 50,000,000) fifty million Saudi Riyals;
2. Documentary letters of credit payable at sight/ upon customary notice: (SAR 65,000,000) sixty-five million Saudi Riyals;
3. Facility for pre-adjustment risks in foreign exchange products for commercial purposes: (SAR 35,000,000) thirty-five million Saudi Riyals; and
4. Facility for pre-adjustment risks for commercial purposes: (SAR 10,000,000) ten million Saudi Riyals.

Covenants

STC covenants to:

1. Not allow or agree to issue any further shares or to grant options or warrants to subscribe for any further shares in its capital to any person other than its existing partners or shareholders;
2. Maintain its ownership structure and existence in the same financial, administrative, business activities and legal position that existed on the date of the STC Samba Facilities Agreement;

3. Provide the bank with quarterly unaudited financial statements, after a maximum period of 45 days from the end of every quarter year; and provide the bank with annual audited financial statements, after a maximum period of 120 days from the end of every financial year; and
4. STC also undertakes to provide guarantees from each of its shareholding companies in proportion to their respective shareholding in STC, to cover STC's commitments under the STC Samba Facilities Agreement.

Master Murabaha Financing Agreement for (SAR 65,000,000) sixty-five million Saudi Riyals

Pursuant to the STC Samba Facilities Agreement, STC entered into a Master Murabaha financing agreement with Samba on 1/7/1434H (corresponding to 11/5/2013G) for an aggregate principal amount of (SAR 65,000,000) sixty-five million Saudi Riyals, which was renewed on 13/8/1435H (corresponding to 11/6/2014G) and is now available until 30/4/2015G. This agreement is governed by the laws of the Kingdom of Saudi Arabia.

Murabaha Financing Agreement for (SAR 50,000,000) fifty million Saudi Riyals

Pursuant to the STC Samba Facilities Agreement, STC entered into a Murabaha financing agreement with Samba on 1/7/1434H (corresponding to 11/5/2013G) for an aggregate principal amount of (SAR 50,000,000) fifty million Saudi Riyals, which was renewed on 13/8/1435H (corresponding to 11/6/2014G) and is now available until 30/4/2015G. This Murabaha Financing Agreement is governed by the laws of the Kingdom of Saudi Arabia. Among other obligations, STC has covenanted not to change its legal form during the term of the Murabaha Financing Agreement.

Company's Guarantees for STC obligations

A guarantee was provided by the Company in favor of Samba on 13/8/1435H (corresponding to 11/6/2014G). The guarantee is governed by the laws of the Kingdom of Saudi Arabia. The guaranteed obligations are STC's obligations to Samba, up to a limit of (SAR 160,000,000) one hundred sixty million Saudi Riyals. The terms of the guarantee state that Samba is authorized at any time to set off and use the Company's assets and deposits held with Samba to settle STC's obligations to Samba.

WESCOSA Guarantee for STC obligations

A guarantee was provided by WESCOSA in favor of Samba on 13/8/1435H (corresponding to 11/6/2014G). The guarantee is governed by the laws of the Kingdom of Saudi Arabia. The guaranteed obligations are STC's obligations to Samba, up to a limit of (SAR 160,000,000) one hundred sixty million Saudi Riyals. The terms of the guarantee state that Samba is authorized at any time to set off and use WESCOSA's assets and deposits held with Samba to settle STC's obligations to Samba.

Promissory Notes

STC has provided one promissory note to Samba in the amount of (SAR 160,000,000) one hundred sixty million Saudi Riyals on 13/8/1435H (corresponding to 11/6/2014G), guaranteed by WESCOSA and the Company to Samba. STC has also provided one promissory note to Samba in the amount of (USD 17,333,333) seventeen million three hundred thirty-three thousand three hundred thirty-three US Dollars on 14/8/1435H (corresponding to 12/6/2014G), guaranteed by WESCOSA and the Company to Samba.

Samba's consent to the Company's share offering

STC provided Samba with a notice indicating that the Company was in the process of offering a portion of its shares in an IPO. Samba signed a receipt for the notice and affirmed that, in its opinion, the offering did not constitute a breach of the agreement.

13.2.3.7 Samba Financial Group Facilities for WESCOSA

WESCOSA entered into a facilities agreement with Samba on 13/8/1435H (corresponding to 11/6/2014G) for an aggregate principal amount of (SAR 205,000,000) two hundred and five million Saudi Riyals (the "WESCOSA Samba Facilities Agreement") governed by the laws of the Kingdom of Saudi Arabia. The WESCOSA Samba Facilities Agreement comprises the following facilities with the corresponding sub-limits:

1. Overdraft/short-term loans facility for working capital requirements: (SAR 50,000,000) fifty million Saudi Riyals;
2. Documentary letters of credit payable at sight/upon customary notice: (SAR 75,000,000) seventy-five million Saudi Riyals;
3. Long-term declining Murabaha facility: (SAR 50,000,000) fifty million Saudi Riyals;
4. Facility for pre-adjustment risks in foreign exchange products for commercial purposes: (SAR 25,000,000) twenty-five million Saudi Riyals; and
5. Facility for pre-adjustment risks for commercial purposes: (SAR 5,000,000) five million Saudi Riyals.

Covenants

WESCOSA covenants to:

1. Not allow or agree to issue any further shares or to grant options or warrants to subscribe for any further shares in its capital to any person other than its existing partners or shareholders;
2. Maintain its ownership structure and existence in the same financial, administrative, business activities and legal position that existed on the date of the WESCOSA Samba Facilities Agreement;
3. Provide the bank with quarterly unaudited financial statements, after a maximum period of 45 days from the end of every quarter year; and provide the bank with annual audited financial statements, after a maximum period of 120 days from the end of every financial year;
4. Maintain a ratio of current assets to current liabilities of no less than 1.25:1, based on the quarterly financial statements;
5. Maintain a debt-to-equity ratio (total liabilities to net equity) of a maximum of 2:1 at the end of each quarter;
6. Maintain a debt-service coverage ratio of no less than 1.25:1 at the end of each fiscal year; and
7. WESCOSA undertakes to provide guarantees from each of its owner companies in proportion to their shareholding in WESCOSA in respect of WESCOSA's obligations under the WESCOSA Samba Facilities Agreement.

Master Murabaha Financing Agreement for (SAR 75,000,000) seventy-five million Saudi Riyals

WESCOSA entered into a Master Murabaha financing agreement with Samba on 1/7/1434H (corresponding to 11/5/2013G) for an aggregate principal amount of (SAR 75,000,000) seventy-five million Saudi Riyals. The Murabaha facility was renewed on 13/8/1435H (11/6/2014G) and is now available until 11/7/1436H (corresponding to 30/4/2015G). This agreement is governed by the laws of the Kingdom of Saudi Arabia.

Murabaha Financing Agreement for (SAR 50,000,000) fifty million Saudi Riyals

WESCOSA entered into a Murabaha financing agreement with Samba on 1/7/1434H (corresponding to 11/5/2013G) for an aggregate principal amount of (SAR 50,000,000) fifty million Saudi Riyals. The Murabaha facility was renewed on 13/8/1435H (corresponding to 11/6/2014G) and is now available until 11/7/1436H (corresponding to 30/4/2015G). It is governed by the laws of the Kingdom of Saudi Arabia.

Schedule of Security and Undertakings

A schedule dated 13/8/1435H (corresponding to 11/6/2014G) was signed by WESCOSA and Samba, setting out the security to be provided by WESCOSA in favor of Samba as security for a Murabaha agreement entered into by WESCOSA and Samba on 13/8/1435H (corresponding to 11/6/2014G). WESCOSA undertakes to provide guarantees from EIC and STC in respect of WESCOSA's obligations.

Company's Guarantees for WESCOSA obligations

A guarantee was provided by the Company in favor of Samba on 13/8/1435H (corresponding to 11/6/2014G). The guarantee is governed by the laws of the Kingdom of Saudi Arabia. The guaranteed

obligations are WESCOSA's obligations to Samba, up to a limit of (SAR 205,000,000) two hundred and five million Saudi Riyals. The terms of the guarantee state that Samba is authorized at any time to set off and use the Company's assets and deposits held with Samba, to settle WESCOSA's obligations to Samba.

STC Guarantee for WESCOSA obligations

A guarantee was provided by STC in favor of Samba on 13/8/1435H (corresponding to 11/6/2014G). The guarantee is governed by the laws of the Kingdom of Saudi Arabia. The guaranteed obligations are WESCOSA's obligations to Samba, up to a limit of (SAR 205,000,000) two hundred and five million Saudi Riyals. The terms of the guarantee state that Samba is authorized at any time to set off and use STC's assets and deposits held with Samba to settle WESCOSA's obligations to Samba.

Promissory Notes

WESCOSA has provided one promissory note to Samba in the amount of (SAR 205,000,000) two hundred and five million Saudi Riyals on 14/8/1435H (corresponding to 12/6/2014G). WESCOSA also provided one promissory note to Samba in the amount of (SAR 20,000,000) twenty million Saudi Riyals on 14/8/1435H (corresponding to 12/6/2014G).

Samba's consent to the Company's share offering

WESCOSA provided Samba with a notice indicating that the Company was in the process of offering a portion of its shares in an IPO. Samba signed a receipt for the notice and affirmed that, in its opinion, the offering did not constitute a breach of the agreement.

Use of Samba Facilities in General

The Company confirms that as of 30/5/1435H (corresponding to 31/3/2014G), an amount of (SAR 127,334,343) one hundred twenty-seven million three hundred thirty-four thousand three hundred forty-three Saudi Riyals has been used. This amount represents the total use of all facilities made available to the Company and its subsidiaries.

13.2.3.8 Saudi Investment Bank Facilities for STC

STC entered into a facilities agreement with the Saudi Investment Bank ("SAIB") on 1/1/1454H (corresponding to 14/11/2013G) for an aggregate amount of (SAR 50,000,000) fifty million Saudi Riyals which will remain available until 7/1/1436H (corresponding to 31/10/2014G). The STC SAIB Facilities Agreement is governed by the laws of the Kingdom of Saudi Arabia and it comprises the following sub-facilities:

1. A (SAR 50,000,000) fifty million Saudi Riyals sub-facility for the financing of letters of credit;
2. A (SAR 50,000,000) fifty million Saudi Riyals sub-facility for the refinancing of credits/purchases (sub-limit of the letter of credit financing sub-facility – item 1 above);
3. A (SAR 50,000,000) fifty million Saudi Riyals sub-facility for the issuance of primary guarantees, final guarantees and advance payment guarantees;
4. A (SAR 5,000,000) five million Saudi Riyals sub-facility for the issuance of payment guarantees to suppliers approved by SAIB;
5. A (SAR 20,000,000) twenty million Saudi Riyals medium term murabaha sub-facility for the payment of suppliers; and
6. A (SAR 20,000,000) twenty million Saudi Riyals sub-facility for foreign exchange products.

The STC SAIB Facilities Agreement may be utilized by WESCOSA, and STC guarantees to SAIB any obligations outstanding from WESCOSA to SAIB under the Facilities Agreement.

Covenants

STC covenants that:

1. Neither it, nor any of its subsidiaries, holding companies, or group companies will change any of their constitutive documents in a manner that SAIB would consider to have a material adverse effect in relation to the STC Facilities Agreement.
2. Any change to the legal form of STC or to its shareholders will not have an effect on the continued validity of the STC Facilities Agreement.
3. That the total liabilities to tangible net worth ratio will not exceed 2:1;
4. That the total current assets to net current liabilities ratio will be no less than 1:1;
5. That it will maintain a tangible net worth of (SAR 140,000,000) one hundred and forty million Saudi Riyals;
6. That it will deposit the proceeds of its sales in its account at the Bank, and that such deposit will be no less than (125%) of the total amount of funding; and
7. STC also undertakes to provide a several guarantee from the Company and WESCOSA covering all STC obligations under this agreement.

The Company affirms that it is in the process, but has not yet obtained, the consent of Saudi Investment Bank concerning its share offering. Risks associated with funding agreements in general were dealt with in the Risk Factors section of this Prospectus (For more details, please refer to Section 2.1.26, entitled "Financing and Credit Facilities Risks").

Murabaha Financing Agreement for (SAR 50,000,000) fifty million Saudi Riyals

Pursuant to the STC SAIB Facilities Agreement, STC entered into a Murabaha financing agreement with SAIB on 1/1/1435H (corresponding to 4/11/2013G) for an aggregate principal amount of (SAR 50,000,000) fifty million Saudi Riyals governed by the laws of the Kingdom of Saudi Arabia. The facility is available until 7/1/1436H (corresponding to 31/10/2014G).

Joint and Several Guarantee from the Company and WESCOSA

The Company and WESCOSA have provided two continuing, irrevocable, joint and several guarantee in favor of SAIB.

General Lending Conditions

STC has signed a set of general lending conditions belonging to SAIB. The general lending conditions documents sets out various standard conditions binding on SAIB's customers, including standard covenants, representations, and events of default.

Promissory Note from STC to SAIB

STC has issued one promissory note to SAIB in the amount of (SAR 50,000,000) fifty million Saudi Riyals on 1/1/1435H (corresponding to 4/11/2013G). This promissory note has been signed by WESCOSA and the Company as guarantors.

Use of SAIB Facilities in General

The Company confirms that as of 30/5/1435H (corresponding to 31/3/2014G), the Company has not used any facilities made available under the STC SAIB Facilities Agreement. The facilities were renewed until 31/7/2015G, under the same terms and limits

13.2.3.9 The National Commercial Bank Facilities for STC

STC entered into a commercial financing and bank services agreement (along with a letter summarizing the facilities) with the National Commercial Bank ("NCB") on 15/9/1434H (corresponding to 23/7/2013G) for an aggregate principal amount not exceeding (SAR 205,000,000) two hundred and five million Saudi Riyals (the "STC NCB Facilities Agreement") governed by the laws of the Kingdom of Saudi Arabia. The

Agreement expires on 4/10/1435H (corresponding to 31/7/2014G). The facilities were renewed until 15/10/1436H (corresponding to 31/7/2015G).

Under the STC NCB Facilities Agreement, the limits of the various facilities comprising the STC NCB Facilities Agreement are interchangeable with the facilities limits provided under the WESCOSA NCB Facilities Agreement which will be presented below.

A summary dated 15/9/1434H (corresponding to 23/7/2013G) was signed by STC, NCB, and the Guarantors (EIC and WESCOSA) setting out the following sub-limits to the STC NCB Facilities Agreement and the general terms and conditions of their use:

1. A (SAR 75,000,000) seventy-five million Saudi Riyals facility to finance working capital requirements and ordinary operating expenses.
2. A (SAR 55,000,000) fifty-five million Saudi Riyals facility for financing the issuance of documentary letters of credit, comprising the following sub-facilities:
   c. A (SAR 55,000,000) fifty-five million Saudi Riyals murabaha financing sub-facility for the issuance of sight letters of credit and local and foreign deferred documentary letters of credit; and
   d. A (SAR 55,000,000) fifty-five million Saudi Riyals sub-facility for the financing of the issuance of local and foreign sight/ documentary letters of credit.
3. A (SAR 45,000,000) forty-five million Saudi Riyals facility for the issuance of primary guarantees, final guarantees and advance payment guarantees.
4. A (SAR 25,000,000) twenty-five million Saudi Riyals for the financing of TRF hedging transactions.
5. A (SAR 5,000,000) five million Saudi Riyals facility for the issuance of miscellaneous forms of payment guarantees.

Covenants

Under the STC NCB Facilities Agreement, STC covenants to inform NCB immediately of any change in its financial, administrative or legal structure. STC also undertakes to provide guarantees from each of WESCOSA and the Company.

STC also makes the following financial covenants:

1. That the leverage ratio (total liabilities to net equity) will not exceed 2:1 for the consolidated financial statements and for each company separately;
2. To provide NCB with the quarterly consolidated financial statements after 90 days from the end of each quarter;
3. To provide NCB with the annual consolidated financial statements after 90 days from the end of each fiscal year.

Promissory Note from STC to NCB

STC issued a promissory note to the order of NCB for a total amount of (SAR 225,500,000) two hundred twenty-five million five hundred thousand Saudi Riyals.

Company's Guarantee for STC's obligations

A guarantee was provided by the Company in favor of NCB. The guaranteed obligations are all of STC's obligations to NCB for an amount of (SAR 225,500,000) two hundred twenty-five million five hundred thousand Saudi Riyals. The terms of the guarantee state that NCB is authorized at any time to ask the Company to settle STC's indebtedness.

WESCOSA Guarantee for STC's obligations

A guarantee was provided by WESCOSA in favor of NCB. The guaranteed obligations are all of STC's obligations to NCB for an amount of (SAR 225,500,000) two hundred twenty-five million five hundred thousand Saudi Riyals. The terms of the guarantee state that NCB is authorized at any time to ask WESCOSA to settle STC's indebtedness.

NCB's consent to the Company's share offering

STC provided NCB with a notice indicating that the Company was in the process of offering a portion of its shares in an IPO. The bank signed a receipt for the notice and affirmed that, in its opinion, the offering did not constitute a breach of the agreement.

13.2.3.10 The National Commercial Bank Facilities for WESCOSA

WESCOSA entered into a commercial financing and bank services agreement (along with a letter summarizing the facilities) with the National Commercial Bank ("NCB") on 15/9/1434H (corresponding to 23/7/2013G) for an aggregate principal amount of (SAR 195,000,000) one hundred ninety-five million Saudi Riyals (the "WESCOSA NCB Facilities Agreement") governed by the laws of the Kingdom of Saudi Arabia. The agreement expires on 4/10/1435H (corresponding to 31/7/2014G), and was extended until 5/11/1435H (corresponding to 31/8/2014G) pursuant to a written confirmation by NCB. Both STC and the Company have signed the WESCOSA NCB Financing Agreement as joint guarantors of WESCOSA's obligations under the agreement.

The limits of the various facilities comprising the WESCOSA NCB Facilities Agreement are interchangeable with the facilities limits provided under the STC NCB Facilities Agreement.

A summary dated 15/9/1434H (corresponding to 23/7/2013G) was signed by WESCOSA, NCB, and the Guarantors setting out the following sub-limits to the WESCOSA NCB Facilities Agreement and the general terms and conditions of their use:

1. A (SAR 75,000,000) seventy-five million Saudi Riyals facility to finance working capital requirements.
2. A (SAR 55,000,000) fifty-five million Saudi Riyals facility for financing the issuance of documentary letters of credit, comprising the following sub-facilities:
   c. A (SAR 55,000,000) fifty-five million Saudi Riyals murabaha financing sub-facility for the issuance of sight letters of credit and local and foreign deferred documentary letters of credit; and
   d. A (SAR 55,000,000) fifty-five million Saudi Riyals sub-facility for the financing of the issuance of local and foreign sight/ documentary letters of credit.
3. A (SAR 37,000,000) thirty-seven million Saudi Riyals facility for the issuance of primary guarantees, final guarantees and advance payment guarantees.
4. A (SAR 25,000,000) twenty-five million Saudi Riyals facility for the financing of TRF hedging transactions.
5. A (SAR 3,000,000) three million Saudi Riyals facility for the issuance of miscellaneous forms of payment guarantees.

Covenants

Under the WESCOSA NCB Facilities Agreement, WESCOSA covenants to inform NCB immediately of any change in its financial, administrative or legal structure. WESCOSA also undertakes not to amend its legal structure without informing NCB of the same, as well as to provide penalty and performance guarantees from each of STC and the Company pursuant to the WESCOSA NCB Facilities Agreement.

WESCOSA also makes the following financial covenants:

1. That the leverage ratio (total liabilities to net equity) will not exceed 2:1 for the consolidated financial statements and for each company separately;
2. To provide NCB with the quarterly consolidated financial statements after 90 days from the end of each quarter;
3. To provide NCB with the annual consolidated financial statements after 90 days from the end of each fiscal year.

Company's Guarantee for WESCOSA's obligations

A guarantee was provided by the Company in favor of NCB. The guaranteed obligations are all of WESCOSA's obligations to NCB for an amount of (SAR 214,500,000) two hundred fourteen million five hundred thousand Saudi Riyals. The terms of the guarantee state that NCB is authorized at any time to ask the Company to settle WESCOSA's indebtedness.

Promissory Note from WESCOSA to NCB

WESCOSA issued a promissory note to the order of NCB for a total amount of (SAR 214,500,000) two hundred fourteen million five hundred thousand Saudi Riyals.

STC Guarantee for WESCOSA's obligations

A guarantee was provided by STC in favor of NCB. The guaranteed obligations are all of WESCOSA's obligations to NCB for an amount of (SAR 214,500,000) two hundred fourteen million five hundred thousand Saudi Riyals. The terms of the guarantee state that NCB is authorized at any time to ask STC to settle WESCOSA's indebtedness.

NCB's consent to the Company's share offering

WESCOSA provided NCB with a notice indicating that the Company was in the process of offering a portion of its shares in an IPO. The bank signed a receipt for the notice and affirmed that, in its opinion, the offering did not constitute a breach of the agreement.

Use of NCB Facilities in General

The Company confirms that as of 30/5/1435H (corresponding to 31/3/2014G), an amount of (SAR 65,536,835) sixty-five million five hundred thirty-six thousand eight hundred thirty-five Saudi Riyals has been used. This amount represents the total use of all facilities made available to the Company and its subsidiaries.

13.2.3.11 Banque Saudi Fransi Facilities for STC

STC entered into a facilities agreement with Banque Saudi Fransi ("BSF") on 18/9/1433H (corresponding to 6/8/2012G), pursuant to which BSF made available to STC a number of different facilities for various purposes (payment guarantees, financings) ("STC BSF Facilities Agreement") for an aggregate principal amount of (SAR 70,000,000) seventy million Saudi Riyals which will expire on 23/9/1434H (corresponding to 31/7/2013G). These facilities may be extended pursuant to the written consent of both parties. The Agreement has been extended until 6/12/1435H (corresponding to 30/9/2014G) pursuant to a written confirmation from BSF. The Company affirms that it is in the process, but has not yet obtained another written extension thereto from BSF. This agreement is governed by the laws of the Kingdom of Saudi Arabia.

The BSF Facilities to STC are as follows:

1. Forward purchase and sale of foreign currencies and/or metals facility with a limit of (SAR 5,000,000) five million Saudi Riyals;
2. Overdraft facility with a limit of (SAR 2,000,000) two million Saudi Riyals;
3. A Tawarruq with a limit of (SAR 23,000,000) twenty-three million Saudi Riyals;
4. Multipurpose facilities with a limit of (SAR 40,000,000) forty million Saudi Riyals. These facilities have the following purposes and limits:
    a. A Murabaha facility with sub-limit of (SAR 40,000,000) forty million Saudi Riyals;
    b. A Tawarruq facility with sub-limit of (SAR 40,000,000) forty million Saudi Riyals;
    c. Sub-facility of (SAR 40,000,000) forty million Saudi Riyals to finance the issuance of sight/ documentary letters of credit;
    d. Sub-facility of (SAR 3,000,000) three million Saudi Riyals to finance documents against acceptance letters of credits ;

e. Sub-facility of (SAR 2,500,000) two million five hundred thousand Saudi Riyals to obtain missing import documentary letters;

f. Sub-facility with overall limit of (SAR 40,000,000) forty million Saudi Riyals for the purposes of issuing various bonds (primary guarantees, final guarantees, advance payment guarantees, or retention bonds);

g. Sub-facility to guarantee payments with a limit of (SAR 2,000,000) two million Saudi Riyals.

Covenants

None.

Tawarruq (Commodity Sale and Purchase Agreement) for STC

STC signed a Tawarruq agreement with BSF on 18/9/1433H (corresponding to 6/8/2012G) for a total amount of (SAR 63,000,000) sixty-three million Saudi Riyals which includes the mechanisms, and standard terms and conditions for the Tawarruq facility to provide financing for STC. The agreement is governed by the laws of the Kingdom of Saudi Arabia and any conflict or dispute thereunder will be presented before the SAMA Committee for the Settlement of Banking Disputes.

Treasury Products Agreement with STC

STC signed a treasury products agreement with BSF on 9/8/1429H (corresponding to 12/8/2008G) for a total amount of (SAR 5,000,000) five million Saudi Riyals.

Model Murabaha Agreement for STC

STC signed a Murabaha agreement with BSF on 18/9/1433H (corresponding to 6/8/2012G) for a total amount of (SAR 40,000,000) forty million Saudi Riyals. The agreement includes the general terms and conditions of the Murabaha facility for purchasing equipment, provided that requests and request confirmations be signed when new equipment need to be purchased. This agreement is governed by the laws of the Kingdom of Saudi Arabia and any conflict or dispute thereunder will be presented before the SAMA Committee for the Settlement of Banking Disputes.

Promissory Note

STC signed a promissory note in favor of BSF on 18/9/1433H (corresponding to 6/8/2012G) for a total amount of (SAR 70,000,000) seventy million Saudi Riyals.

Company Guarantees for STC obligations

The Company provided guarantees amounting to (SAR 70,000,000) seventy million Saudi Riyals governed by the Saudi law in favor of BSF to cover, in aggregate, all the payment obligations of STC under the BSF Facilities.

BSF authorization to sell goods

The Company, through its Chairman of the Board, authorized BSF to sell to other parties, products obtained by the Company.

Commodity Purchase and Sale Agreement (Al Tawarruq) between BSF and STC

BSF and STC have entered into a tawarruq agreement on 21/9/1434H (corresponding to 29/7/2013G) for the purchase of commodities from time to time in accordance with a separate facility agreement. The agreement and all commodity transactions thereunder are governed by the laws of the Kingdom of Saudi Arabia and any dispute arising thereunder will be presented before the SAMA Committee for the Settlement of Banking Disputes.

Master Murabaha Agreement between BSF and STC

BSF and STC have entered into a master murabaha agreement on 21/9/1434H (corresponding to 29/7/2013G) for the purchase of goods from time to time in accordance with a separate facility agreement. The agreement and all murabaha transactions thereunder are governed by the laws of the Kingdom of Saudi Arabia and any dispute arising thereunder will be presented before the SAMA Committee for the Settlement of Banking Disputes.

BSF's consent to the Company's share offering

STC provided BSF with a notice indicating that the Company was in the process of offering a portion of its shares in an IPO. The bank signed a receipt for the notice and affirmed that, in its opinion, the offering did not constitute a breach of the agreement.

13.2.3.12 Banque Saudi Fransi Facilities for WESCOSA

WESCOSA entered into a facilities agreement with Banque Saudi Fransi ("BSF") on 19/9/1433H (corresponding to 7/8/2012G), pursuant to which BSF made available to WESCOSA a number of different facilities for various purposes (payment guarantees, financings) ("WESCOSA BSF Facilities Agreement") for an aggregate principal amount of (SAR 85,000,000) eighty-five million Saudi Riyals which will expire on 23/9/1434H (corresponding to 31/7/2013G). These facilities may be extended below that date with the written consent of both parties. The agreement has been extended until 6/12/1435H (corresponding to 30/9/2014G) pursuant to a written confirmation from BSF. All of the facilities are governed by the laws of the Kingdom of Saudi Arabia.

The BSF Facilities to WESCOSA are as follows:

1. Forward purchase and sale of foreign currencies and/or metals facility with a limit of (SAR 5,000,000) five million Saudi Riyals;
2. Overdraft facility with a limit of (SAR 9,000,000) nine million Saudi Riyals;
3. A Tawarruq with a limit of (SAR 21,000,000) twenty-one million Saudi Riyals;
4. Multipurpose facilities with a limit of (SAR 50,000,000) fifty million Saudi Riyals. These facilities have the following purposes and limits:
    a. A Murabaha facility with sub-limit of (SAR 50,000,000) fifty million Saudi Riyals;
    b. A Tawarruq facility with sub-limit of (SAR 50,000,000) fifty million Saudi Riyals;
    c. Sub-facility of (SAR 50,000,000) fifty million Saudi Riyals to finance the issuance of sight/documentary letters of credit;
    d. Sub-facility of (SAR 3,000,000) three million Saudi Riyals to finance documents against acceptance letters of credits;
    e. Sub-facility of (SAR 2,500,000) two million five hundred thousand Saudi Riyals to obtain missing import documentary letters;
    f. Sub-facility with overall limit of (SAR 50,000,000) fifty million Saudi Riyals for the purposes of issuing various bonds (primary guarantees, final guarantees, advance payment guarantees, or retention bonds);
    g. Sub-facility to guarantee payments with a limit of (SAR 3,000,000) three million Saudi Riyals.

Covenants

None.

Tawarruq (Sale and Purchase Agreement) Between BSF and WESCOSA

WESCOSA signed a Tawarruq agreement with BSF on 21/9/1434H (corresponding to 29/7/2013G) for a total amount of (SAR 71,000,000) seventy-one million Saudi Riyals which includes the mechanisms, and standard terms and conditions for the Tawarruq facility to provide financing for WESCOSA. The agreement is governed by the laws of the Kingdom of Saudi Arabia and any conflict or dispute thereunder will be presented before the SAMA Committee for the Settlement of Banking Disputes.

Treasury Products Agreement with WESCOSA

WESCOSA signed a treasury agreement with BSF on 18/9/1433H (corresponding to 6/8/2012G) for a total amount of (SAR 5,000,000) five million Saudi Riyals.

Murabaha Agreement for WESCOSA

WESCOSA signed a Murabaha agreement with BSF on 21/9/1434H (corresponding to 29/7/2013G) for a total amount of (SAR 50,000,000) fifty million Saudi Riyals. The agreement includes the general terms and conditions of the Murabaha facility for purchasing equipment, provided that requests and request confirmations be signed when new equipment need to be purchased. This Agreement is governed by the laws of the Kingdom of Saudi Arabia and any conflict or dispute thereunder will be presented before the SAMA Committee for the Settlement of Banking Disputes.

Promissory Note

WESCOSA signed a promissory note in favor of BSF for a total amount of (SAR 85,000,000) eighty-five million Saudi Riyals.

Company Guarantees for WESCOSA obligations

The Company provided guarantees amounting to (SAR 85,000,000) eighty-five million Saudi Riyals governed by the Saudi law in favor of BSF to cover, in aggregate, all the payment obligations of WESCOSA under the BSF Facilities.

Commodity Purchase and Sale Agreement (Al Tawarruq) between BSF and WESCOSA

BSF and WESCOSA have entered into a tawarruq agreement on 29/7/2013G for the purchase of commodities from time to time in accordance with a separate facility agreement. The agreement and all commodity transactions thereunder are governed by the laws of the Kingdom of Saudi Arabia and any dispute arising thereunder will be presented before the SAMA Committee for the Settlement of Banking Disputes.

Master Murabaha Agreement between BSF and WESCOSA

BSF and WESCOSA have entered into a master murabaha agreement on 29/7/2013G for the purchase of goods from time to time in accordance with a separate facility agreement. The agreement and all murabaha transactions thereunder are governed by the laws of the Kingdom of Saudi Arabia and any dispute arising thereunder will be presented before the SAMA Committee for the Settlement of Banking Disputes.

BSF authorization to sell goods

The Company, through its former CEO Saud Abdul Aziz Al Shalali in his capacity as chief executive officer, authorized BSF to sell to other parties, products obtained by the Company

BSF's consent to the Company's share offering

WESCOSA provided BSF with a notice indicating that the Company was in the process of offering a portion of its shares in an IPO. The Bank signed a receipt for the notice and affirmed that, in its opinion, the offering did not constitute a breach of the Agreement.

13.2.3.13 Banque Saudi Fransi Facilities for SPTC and CGPSSA

Saudi Power Transformers Company Limited ("SPTC") and CG-Power Systems Saudi Arabia ("CGPSSA") entered into a facilities agreement with Banque Saudi Fransi ("BSF") on 21/8/1434H (corresponding to 30/6/2013G), pursuant to which BSF made available to both companies a number of different facilities for an aggregate principal amount of (SAR 220,100,000) two hundred and twenty million one hundred thousand Saudi Riyals ("Facility Agreement") which expired on 28/2/2014G. The Agreement may be extended after that date with the written consent of both parties and the companies have confirmed that the agreements are under renewal.

The Facility Agreement give SPTC and CGPSSA the following limits:

1. A Tawarruq facility with a limit of (SAR 31,000,000) thirty-one million Saudi Riyals;
2. Multipurpose facilities with a limit of (SAR 125,000,000) one hundred twenty-five million Saudi Riyals. These facilities have the following purposes and limits:

a. A Murabaha sub facility of (SAR 125,000,000) one hundred twenty-five million Saudi Riyals;
b. A Tawarruq sub-facility of (SAR 125,000,000) one hundred twenty-five million Saudi Riyals;
c. A sub-facility to finance the issuance of letters of credit with a sub-limit of (SAR 125,000,000) one hundred twenty-five million Saudi Riyals;
d. A sub-facility to finance the issuance of documentary letters of credit with a sub-limit of (SAR 125,000,000) one hundred twenty-five million Saudi Riyals;
e. A sub-facility for the purposes of issuing various bonds (final guarantees, advance payment guarantees, or retention bonds) with a sub-limit of (SAR 125,000,000) one hundred twenty-five million Saudi Riyals;
f. A sub-facility for standalone repayment guarantees in the amount of (SAR 125,000,000) one hundred twenty-five million Saudi Riyals.

3. Facilities for the issuance of tender bond with total maximum limit of (SAR 25,000,000) twenty five million Saudi Riyals.
4. Forward purchase and sale of foreign currencies facility with a limit of (SAR 10,000,000) ten million Saudi Riyals;

The facilities included facilities granted exclusively to SPTC as follows:

1. A Tawarruq facility with a limit of (SAR 26,100,000) twenty-six million one hundred thousand Saudi Riyals to finance capital expenditures.
2. Option contracts on interest rate and interest rate/ currency swaps with a limit of (SAR 3,000,000) three million Saudi Riyals.

Covenants

SPTC undertakes that the leverage ratio (total liabilities to net equity) will not exceed 3.5:1 throughout the tawarruq period stated below, and if such ratio exceeds 3.5:1, the partners will have to pump in cash to reduce the ratio to less than 3.5:1. However, SPTC has not adhered to this undertaking because of accumulated losses. The facilities were renewed and their terms amended.

Main Facility Agreement

SPTC signed a main facility agreement with BSF on 21/8/1434H (corresponding to 30/6/2013G). The agreement includes the customary mechanisms, terms and conditions. Commission for the Settlement of Banking Disputes at the Saudi Arabian Monetary Agency is competent to settle disputes that may arise between the parties under the agreement.

Murabaha Agreements

Each of SPTC and CGPSSA signed Murabaha agreements with BSF on 21/8/1434H (corresponding to 30/6/2013G) pursuant to which Murabaha facilities were granted by the Bank to finance the purchase of goods. These agreements are governed by the laws of the Kingdom of Saudi Arabia and SAMA Committee for the Settlement of Banking Disputes or any other competent body have the authority to decide on any conflict or dispute arising thereunder.

Tawarruq Agreements

Each of SPTC and CGPSSA signed Tawarruq agreements with BSF on 21/8/1434H (corresponding to 30/6/2013G) which contain the mechanisms, and standard terms and conditions for tawarruq facilities in order to provide funding. These agreements are governed by the laws of the Kingdom of Saudi Arabia and SAMA Committee for the Settlement of Banking Disputes or any other competent body have the authority to decide on any conflict or dispute arising thereunder.

Promissory Note

SPTC signed a promissory note in favor of BSF on 21/8/1434H (corresponding to 30/6/2013G) for a total amount of (SAR 220,100,000) two hundred and twenty million, one hundred thousand Saudi Riyals. CGPSSA signed a promissory note in favor of BSF on 21/8/1434H (corresponding to 30/6/2013G) for a total amount of (SAR 220,100,000) two hundred and twenty million, one hundred thousand Saudi Riyals.

Company's Guarantee for SPTC and CGPSSA obligations

An unconditional and irrevocable guarantee was provided by the Company in favor of BSF on 21/1/1435H (corresponding to 24/11/2013G). The guarantee is governed by the laws of the Kingdom of Saudi Arabia. The obligations guaranteed by the Company are up to a limit of (SAR 110,050,000) one hundred and ten million and fifty thousand Saudi Riyals. The terms of the guarantee state that BSF is authorized to set off and use the Company's assets and accounts held with BSF, to settle any obligations payable by the Company and/or the borrowers, SPTC and CGPSSA, to BSF.

CG Holdings' Guarantee for SPTC and CGPSSA obligations

An unconditional and irrevocable guarantee was provided by the CG Holdings in favor of BSF on 21/8/1434H (corresponding to 30/6/2013G). The guarantee is governed by the laws of the United Kingdom. The obligations guaranteed by the CG Holdings are up to a limit of (SAR 110,050,000) one hundred and ten million and fifty thousand Saudi Riyals. The terms of the guarantee state that BSF is authorized to set off and use the CG Holdings' assets and accounts held with BSF, to settle any obligations payable by the CG Holdings and/or the borrowers, SPTC and CGPSSA, to BSF.

Letter of Undertaking from SPTC

Based on BSF approval to provide facilities under the Facility Agreement, SPTC gives the following unconditional and irrevocable undertakings on 21/08/1434H (corresponding to 30/6/2013G):

1. Not to change the ownership structure of SPTC and CGPSSA;
2. To obtain BSF consent regarding any change of ownership;
3. To retain all profits achieved and not to distribute any dividends during the period of the facility; and
4. To provide BSF with a waiver for SIDF loan proceeds, after obtaining SIDF approval.

Letter of Undertaking from CGPSSA

Based on BSF approval to provide facilities under the Facility Agreement, CGPSSA gives the following unconditional and irrevocable undertakings on 21/08/1434H (corresponding to 30/6/2013G):

1. To transfer all of its sales proceeds to its account with BSF; and
2. To transfer any net amounts resulting from the Company's operations, as necessary, to cover any amounts due under the tawarruq facility, in the event of a cash flow shortage from SPTC.

Use of BSF Facilities in General

The Company confirms that as of 30/5/1435H (corresponding to 31/3/2014G), an amount of (SAR 63,172,006) sixty three million one hundred seventy two thousand and six Saudi Riyals has been used. This amount represents the total use of all facilities made available to WESCOSA STC, SPTC and CGPSSA.

13.2.3.14 Saudi British Bank Facilities for STC

STC has entered into a facilities letter and agreement ("SABB Facilities Agreement") dated 17/7/1434H (corresponding to 27/5/2013G) with the Saudi British Bank (SABB) regarding a variety of different facilities. These facilities were available for use until 17/1/1435H (corresponding to 30/11/2013G) and were extended until 7/2/1436H (corresponding to 30/6/2014G). The Company has confirmed that the Agreement is being renewed for another period. These facilities may also be used by WESCOSA and SPTC.

These facilities have the following limits and purposes:

1. Combined Facilities: overall limit of (SAR 100,000,000) one hundred million Saudi Riyals with the following sub-facilities and sub-limits:
    a. Murabaha/metals Tawarruq financing of up to (SAR 25,000,000) twenty-five million Saudi Riyals for working capital requirements;

b. Imports financing through Murabaha of up to (SAR 75,000,000) seventy-five million Saudi Riyals for imports under documentary credits and open accounts;

- Financing documentary credits within a Musharaka sub-limit of up to (SAR 75,000,000) seventy-five million Saudi Riyals to finance imports under documentary credits and bills of exchange under open account purchases;

c. Shipping Guarantees of a total of up to (SAR 75,000,000) seventy-five million Saudi Riyals to issue guarantees for shipping products to release goods in case of delay in receipt of original bill of lading concerning the documentary credits, as issued by SABB only;

d. Primary guarantees, final guarantees, advance payment guarantees of up to (SAR 50,000,000) fifty million Saudi Riyals;

e. Miscellaneous guarantees of up to (SAR 50,000,000) fifty million Saudi Riyals to meet STC's needs;

f. Miscellaneous guarantees of up to (SAR 10,000,000) ten million Saudi Riyals to meet STC's needs and issue open ended guarantees;

2. Hedging facility for protection against fluctuation in cost of financing of up to (SAR 45,000,000) forty-five million Saudi Riyals.

Any dispute arising under the SABB Facilities Agreement will be presented before the SAMA Committee for the Settlement of Banking Disputes whose decision is binding on the parties.

Covenants

STC undertakes to inform SABB immediately in writing of any change in its address or its legal, administrative and financial position. In the event of any change of ownership, the bank reserves the right to amend the terms and conditions of these facilities by asking more guarantees, claiming the payment of amounts due, canceling credit limits, or suspending the use of granted credit facilities. STC undertakes to cover (110%) of the risks of foreign currencies (other than US Dollars). The obligations contained in this agreement may not be waived or transferred to a third party.

Islamic Finance Agreement

Pursuant to the SABB Facilities Agreement, STC has entered into an Islamic Finance Agreement with SABB on 17/7/1434H (corresponding to 27/5/2013G). This agreement sets out the usual mechanics and terms and conditions for the Musharakas and the Murabaha transactions contemplated in the SABB Facilities Agreement.

Company's Guarantee for STC Obligations

The Company has provided a guarantee in favor of SABB. The secured obligations are all of STC obligations to SABB in the amount of (SAR 145,000,000) one hundred and forty-five million Saudi Riyals.

Promissory Notes

STC provided a promissory note in the amount of (SAR 145,000,000) one hundred forty-five million Saudi Riyals in favor of SABB.

SABB's consent to the Company's share offering

WESCOSA and STC provided SABB with two notices indicating that the Company was in the process of offering a portion of its shares in an IPO. The bank signed a receipt for the notice and affirmed that, in its opinion, the offering did not constitute a breach of the agreement.

13.2.3.15 Saudi British Bank Facilities for SPTC

SPTC has entered into a facilities' letter and agreement ("SABB Facilities Agreement") dated 22/9/1434H (corresponding to 30/7/2013G) with the Saudi British Bank (SABB) regarding the renewal of a variety of different facilities. These facilities were available for use until 30/11/2013G and were extended until 30/6/2014G and are automatically extended every end of the month until the end of the following

month. The Company has confirmed that these facilities are being renewed for another period with SABB.

These facilities have the limits and purposes mentioned in Facilities letter No. EPMFLA - 120073 dated 28/2/2012G which can be summarized as follows:

1. Combined Facilities for financing working capital requirements: overall limit of (SAR 12,500,000) twelve million five hundred thousand Saudi Riyals with the following sub-facilities and sub-limits:
    a. Financing of Murabaha documentary credits (sight/deferred/class B) (DIC/DIB/IBR/DIC/DIU) up to (SAR 12,500,000) twelve million five hundred thousand Saudi Riyals for the financing of imports concerning the Company's activity;
    b. Shipping Guarantees of a total of up to (SAR 12,500,000) twelve million five hundred thousand Saudi Riyals to issue guarantees to release goods, in case of delay in receipt of original bill of lading concerning the documentary credits, as issued by SABB only;
    c. Murabaha / metals Tawarruq financing of up to (SAR 5,000,000) five million Saudi Riyals for financing working capital requirements;
    d. Preliminary, final and advance payment guarantees of up to (SAR 3,000,000) three million Saudi Riyals to finance STC projects;
2. Murabaha / metals Tawarruq financing of up to (SAR 24,000,000) twenty-four million Saudi Riyals for financing the construction of a new plant.

Covenants

SPTC undertakes to provide the bank with the audited financial statements of foreign shareholders. SPTC also undertakes to inform SABB immediately in writing of any change in its address or its legal, administrative and financial position. In the event of any change of ownership, the bank reserves the right to amend the terms and conditions of these facilities by asking more guarantees, claiming the payment of amounts due, canceling credit limits, or suspending the use of granted credit facilities. SPTC undertakes to cover (110%) of the risks of foreign currencies (other than US Dollars). The obligations contained in this agreement may not be waived or transferred to a third party.

Islamic Finance Agreement

Pursuant to the Facilities Agreement, SPTC has entered into an Islamic Finance Agreement with SABB on 22/9/1434H (corresponding to 30/7/2013G). This agreement sets out the usual mechanics and terms and conditions for the Musharakas and the Murabaha transactions contemplated in the Facilities Agreement.

General Agreement for Islamic Trade Finance

Pursuant to the Facilities Agreement, SPTC has entered into a general agreement for Islamic trade finance with SABB on 22/9/1434H (corresponding to 30/7/2013G). This agreement sets out the usual mechanics and terms and conditions for the Islamic trade finance contemplated in the Facilities Agreement.

Promissory Notes

SPTC provided a promissory note on 22/9/1434H (corresponding to 30/7/2013G) in favor of SABB in the amount of (SAR 36,500,000) thirty-six million five hundred thousand Saudi Riyals.

Shareholders Guarantees for SPTC Obligations

1. The Company provided a guarantee on 22/9/1434H (corresponding to 30/7/2013G) in favor of SABB in the amount of (SAR 18,615,000) eighteen million six hundred and fifteen thousand Saudi Riyals pro rata to its shareholding in SPTC's capital; and
2. CG Power Company provided a guarantee on 22/9/1434H (corresponding to 30/7/2013G) in favor of SABB in the amount of (SAR 17,885,000) seventeen million eight hundred and eighty-five thousand Saudi Riyals pro rata to its shareholding in SPTC's capital.

Use of SABB Facilities in General

The Company confirms that as of 30/5/1435H (corresponding to 31/3/2014G), an amount of (SAR 42,160,847) forty two million one hundred sixty thousand eight hundred and forty seven Saudi Riyals has been used. This amount represents the total use of all facilities made available to WESCOSA, STC and SPTC.

13.2.3.16 Saudi Hollandi Bank Facilities for WESCOSA

WESCOSA entered into a banking facilities agreement ("SHB Facilities Agreement") dated 7/6/1434H (corresponding to 17/4/2013G) with the Saudi Hollandi Bank ("SHB") in relation to various facilities with an overall aggregate limit of (SAR 137,000,000) one hundred and thirty seven million Saudi Riyals. These facilities are available until 4/11/1435H (corresponding to 30/8/2014G), are subject to revision from time to time and could be withdrawn at any time at the discretion of SHB. These facilities have the following sub-limits and purposes:

1. Combined Facilities with an overall limit of (SAR 80,000,000) eighty million Saudi Riyals available in the following formats:
   a. Islamic corporate overdraft in current account with a sub-limit of (SAR 5,000,000) five million Saudi Riyals;
   b. Short term Islamic financing (Tawarruq) with a sub-limit of (SAR 50,000,000) fifty million Saudi Riyals to finance working capital requirements;
   c. Opening of Murabaha documentary credits payable at sight, issuing of import bills payable at sight and / or opening of term documentary credits and acceptance of bills of exchange drawn against such credits, with a sub-limit of (SAR 60,000,000) sixty million Saudi Riyals;
   d. Murabaha refinance facility for letters of credit post-financing with a sub-limit of (SAR 60,000,000) sixty million Saudi Riyals, (sub-limit of the documentary credits in "c" above); and
   e. Guarantee facility for issuance of preliminary guarantees, final guarantees, advance payment guarantees, payment and retention bonds with a sub-limit of (SAR 45,000,000) forty-five million Saudi Riyals.

6. Forward exchange contract facility with a sub-limit of (SAR 57,000,000) fifty-seven million Saudi Riyals for Shari'a-compliant off-balance sheet items (forex and profit rates hedges and metals).

Covenants

WESCOSA undertakes to provide the Bank with a copy of the audited financial statements within 120 days from the end of the fiscal year. WESCOSA further undertakes to inform SHB of any change in the financial affairs or financial position of the Company. WESCOSA also covenants that its leverage ratio will not exceed 2:1.

Promissory Notes

WESCOSA provided a promissory note on 9/4/1434H (corresponding to 20/2/2013G) in favor of SHB in the amount of (SAR 137,000,000) one hundred thirty-seven million Saudi Riyals.

Shareholders Guarantees for SPTC Obligations

1. The Company provided a guarantee on 7/6/1434H (corresponding to 17/4/2013G) in favor of SHB in the amount of (SAR 132,890,000) one hundred thirty-two million eight hundred and ninety thousand Saudi Riyals pro rata to its shareholding (97%) in WESCOSA's capital; and
2. STC provided a guarantee on 7/6/1434H (corresponding to 17/4/2013G) in favor of SHB in the amount of (SAR 4,110,000) four million one hundred and ten thousand Saudi Riyals pro rata to its shareholding (3%) in WESCOSA's capital.

Pro-Rata Guarantee by the Company in favor of SHB

The Company and STC provided irrevocable and unconditional guarantees dated 7/6/1434H (corresponding to 17/4/2013G) in favor of SHB. The guarantors represent that the Saudi court has non-exclusive jurisdiction in relation to any legal action or proceedings under the guarantee, which means that the other party has the right to file a claim or action against the guarantor in any jurisdiction where the guarantor has properties.

The Company's maximum guaranteed obligations under the guarantee is (SAR 132,890,000) one hundred thirty-two million eight hundred ninety thousand Saudi Riyals, while STC's maximum guarantee obligations are (SR 4,110,000) four million one hundred and ten thousand Saudi Riyals.

The Company and STC have authorized SHB to set-off and debit any of its accounts with SHB, without demand or prior notice to the Company, to settle any amounts due under the guarantee.

Pro-Rata Guarantee by STC in favor of SHB

STC has provided an irrevocable and unconditional guarantee dated 7/6/1434H (corresponding to 17/4/2013G) in favor of SHB. The guarantor represents that the Saudi court has non-exclusive jurisdiction in relation to any legal action or proceedings under the guarantee, which means that the other party has the right to file a claim or action against the guarantor in any jurisdiction where the guarantor has properties.

STC's maximum guaranteed obligations under the guarantee is (SAR 4,110,000) four million one hundred and ten thousand Saudi Riyals. STC has authorized SHB to set-off and debit any of its accounts with SHB, without demand or prior notice to STC, to settle any amounts due under the guarantee.

Promissory Note by WESCOSA

WESCOSA signed a promissory note on 9/4/1434H (corresponding to 20/2/2013G) in favor of SHB for a total amount of (SAR 137,000,000) one hundred and thirty-seven million Saudi Riyals.

Use of SHB Facilities in General

The Company confirms that as of 30/5/1435H (corresponding to 31/3/2014G), an amount of (SAR 16,622,707) sixteen million six hundred twenty-two thousand seven hundred and seven Saudi Riyals has been used. This amount represents the total use of all facilities made available to the Company and its Subsidiaries.

13.2.3.17 Gulf International Bank B.S.C. (GIB) Facilities for STC

STC entered into a commodity murabaha financing agreement (the "GIB Facilities Agreement") dated 18/3/1434H (corresponding to 30/1/2013G) with Gulf International Bank ("GIB") in relation to various facilities with an overall aggregate limit of (SAR 93,750,000) ninety-three million seven hundred and fifty thousand Saudi Riyals (the "GIB Facilities"). The GIB Facilities are available for utilization until 7/3/1435H (corresponding to 8/1/2014G) and have been extended until 3/1/1436H (corresponding to 27/10/2014G). The GIB Facilities have the following purposes and sub-limits:

1. Refinance the purchase of goods from suppliers with a sub-limit of (SAR 93,750,000) ninety-three million seven hundred fifty thousand Saudi Riyals;
2. Issue two letters of guarantees with a sub-limit of (SAR 93,750,000) ninety-three million seven hundred fifty thousand Saudi Riyals;
3. Financing working capital through direct short term financing with a sub-limit of (SAR 75,000,000) seventy-five million Saudi Riyals.

Covenants

STC has covenanted under the GIB Facilities Agreement to inform GIB in the case of issuing any further shares or altering any rights attaching to its issued shares in existence at the date of the GIB Facilities Agreement. The GIB Facilities Agreement is governed by the laws of the Kingdom of Saudi Arabia and any conflict or dispute thereunder will be presented before the SAMA Committee for the Settlement of Banking Disputes. STC has also undertaken that the total leverage ratio not exceed 2.5:1.

LC Financing Murabaha Agreement

Pursuant to the terms of the GIB Facilities Agreement, STC entered with GIB into an LC financing murabaha agreement (the "GIB LC Murabaha Agreement") dated 18/3/1434H (corresponding to 30/1/2013G), which was renewed on 14/6/1435H (corresponding to 14/4/2014G), in relation to an uncommitted revolving murabaha facility for the purchase of inventory through letters of credit in an aggregate amount of (SAR 93,750,000) ninety-three million seven hundred and fifty thousand Saudi Riyals (the "GIB LC Facility"). The GIB LC Facility is available until 13/1/1436H (corresponding to 27/10/2014G). Under the GIB LC Murabaha Agreement STC undertook to inform GIB in the case of issuing any further shares or altering any rights attaching to its issued shares in existence at the date of the GIB LC Murabaha Agreement. The GIB LC Murabaha Agreement is governed by the laws of the Kingdom of Saudi Arabia and any conflict or dispute thereunder will be presented before the SAMA Committee for the Settlement of Banking Disputes.

Company's Guarantee in Favor of GIB

The Company has provided an irrevocable and unconditional guarantee dated 15/6/1435H (corresponding to 15/4/2014G) in favor of GIB. The guarantee is governed by the laws of the Kingdom of Saudi Arabia. The Company's maximum guaranteed obligations under the guarantee is (SAR 93,750,000) ninety-three million seven hundred and fifty thousand Saudi Riyals. The terms of the guarantee state that GIB has a right of set-off against anything of value which belongs to the Company, irrespective of whether such thing is under GIB's custody and control or not. GIB also has the right, without the Company's consent or notice to the Company, to debit any of the Company"s accounts and sell any of the Company's property, securities or anything else of value which is within GIB's custody and control to settle any amounts due and payable by STC and/or the Company to GIB.

Promissory Note by STC

STC has issued a promissory note dated 15/6/1435H (corresponding to 30/1/2013G) in favor of GIB for a total amount of (SAR 93,750,000) ninety-three million seven hundred and fifty thousand Saudi Riyals. The promissory note is countersigned by the Company as guarantor.

13.2.3.18 Gulf International Bank B.S.C. (GIB) Facilities for WESCOSA

WESCOSA entered into a commodity murabaha financing agreement (the "GIB Facilities Agreement") dated 18/3/1434H (corresponding to 30/1/2013G) with Gulf International Bank ("GIB") in relation to various facilities with an overall aggregate limit of (SAR 93,750,000) ninety-three million seven hundred and fifty thousand Saudi Riyals (the "GIB Facilities"). The GIB Facilities are available for utilization until 7/3/1435H (corresponding to 8/1/2014G) and have been extended until 3/1/1436H (corresponding to 27/10/2014G). The GIB Facilities have the following purposes and sub-limits:

1. Refinance the purchase of goods from suppliers with a sub-limit of (SAR 93,750,000) ninety-three million seven hundred and fifty thousand Saudi Riyals;
2. Issue letters of guarantees with a sub-limit of (SAR 93,750,000) ninety-three million seven hundred and fifty thousand Saudi Riyals; and
3. Financing working capital through direct short term financing with a sub-limit of (SAR 75,000,000) seventy-five million Saudi Riyals.

Covenants

WESCOSA has covenanted under the GIB Facilities Agreement to inform GIB in the case of issuing any further shares or altering any rights attaching to its issued shares in existence at the date of the GIB Facilities Agreement. The GIB Facilities Agreement is governed by the laws of the Kingdom of Saudi Arabia and any conflict or dispute thereunder will be presented before the SAMA Committee for the Settlement of Banking Disputes. WESCOSA has also undertaken that the total leverage ratio not exceed 2.5:1.

LC Financing Murabaha Agreement

Under the terms of the GIB Facilities Agreement, WESCOSA entered with GIB into an LC financing murabaha agreement (the "GIB LC Murabaha Agreement") dated 18/3/1434H (corresponding to 30/1/2013G), which was renewed on 15/6/1435H (corresponding to 15/4/2014G), for the purpose of refinancing purchases through letters of credit in an aggregate amount of (SAR 93,750,000) ninety-three million seven hundred and fifty thousand Saudi Riyals and a GIB Murabaha agreement with a sub-limit of (SAR 75,000,000) seventy five million Saudi Riyals, for the issuance of letters of guarantee pursuant to the GIB Facilities Agreement available until 3/1/1436H (corresponding to 27/10/2014G). Under the GIB LC Murabaha Agreement WESCOSA undertook to inform GIB in the case of issuing any further shares or altering any rights attaching to its issued shares in existence at the date of the GIB LC Murabaha Agreement. The GIB LC Murabaha Agreement is governed by the laws of the Kingdom of Saudi Arabia and any conflict or dispute thereunder will be presented before the SAMA Committee for the Settlement of Banking Disputes.

Company's Guarantee in Favor of GIB

The Company has provided an irrevocable and unconditional guarantee dated 18/3/1434H (corresponding to 30/1/2013G) in favor of GIB. The guarantee is governed by the laws of the Kingdom of Saudi Arabia. The Company's maximum guaranteed obligations under the guarantee is (SAR 93,750,000) ninety-three million seven hundred and fifty thousand Saudi Riyals. The terms of the guarantee state that GIB has a right of set-off against Company receivables, irrespective of whether these receivables fall under GIB's custody and control or not. GIB also has the right, without the Company's consent or notice to the Company, to debit any of the Company's accounts and sell any of the Company's property, securities or anything else of value which is within GIB's custody and control to settle any amounts due and payable by WESCOSA and the Company to GIB.

Promissory Note by WESCOSA

WESCOSA has issued a demand promissory note dated 15/6/1435H (corresponding to 8/1/2014G) in favor of GIB for a total amount of (SAR 93,750,000) ninety-three million seven hundred and fifty thousand Saudi Riyals. The promissory note is countersigned by the Company as guarantor.

Use of GIB Facilities in General

The Company confirms that as of 30/5/1435H (corresponding to 31/3/2014G), an amount of (SAR 62,793,687) sixty-two million seven hundred ninety-three thousand six hundred and eighty-seven Saudi Riyals has been used. This amount represents the total use of all facilities made available to the Company and its subsidiaries.

13.2.3.19 Saudi Industrial Development Fund Loan to SPTC

SPTC entered into a term loan agreement (the "SIDF Loan Agreement") dated 26/7/1433H (corresponding to 6/6/2012G) with the Saudi Industrial Development Fund ("SIDF") in relation to SPTC project for an amount up to (SAR 56,900,000) fifty-six million nine hundred thousand Saudi Riyals. The SIDF Loan is to be repaid in 15 consecutive semi-annual installments starting from 15/4/1436H (corresponding to 4/2/2015G). As at the end of Q1 2014G (SAR 47,959,000) forty seven million nine hundred fifty nine thousand Saudi Riyals of the loan had been used.

The SIDF Loan is secured by the following:

1. A mortgage on all the fixed assets associated with the SPTC project; and
2. Financial guarantees from the companies in proportion to their ownership share in SPTC (i.e. STC 51% and CG Power 49%) covering (100%) of the SIDF Loan.

Covenants

SPTC undertakes to comply with the standards issued by the Saudi Standards, Metrology, and Quality Organization (SASO) and the Presidency of Meteorology and Environment (PME) applicable to all standards or requirements to the project or its operation. SPTC also undertakes to submit a plan to SIDF to employ and train Saudi capacities, together with a schedule for implementation. SPTC further

undertakes to carry out its project transactions with related parties on a commercial basis that serves the interests of the project. The borrower also makes the following covenants during the loan period, unless it has obtained SIDF written approval:

1. The ratio of current assets to current liabilities will be maintained at no less than 1:1, throughout the loan term;
2. The total liabilities to tangible net asset value ratio will not exceed 3:1, throughout the loan term;
3. Yearly Capital expenditures will not exceed (SAR 4,800,000) four million eight hundred thousand Saudi Riyals;
4. Annual lease prices will not exceed (SAR 2,400,000) two million four hundred thousand Saudi Riyals;
5. Profits allocated for distribution/ withdrawals will not exceed (25%) of paid-up capital or total SIDF payable loan installments during the distribution year, whichever is less;
6. SPTC will provide GIB with the audited financial statements, after a maximum period of 90 days from the end of every financial year, and with the temporary quarterly unaudited financial statements after a maximum period of 30 days from the end of every quarter year. SPTC will also provide any other information or data requested by SIDF from time to time;
7. The project assets will be insured against the risks identified by SIDF from time to time, provided that the insurance policy mentions that SIDF is the beneficiary of all compensations for insured losses. SIDF will also be kept informed of any material modifications or cancellations 30 days before their occurrence, provided that the total insured amount under the insurance policy shall be no less than the amount of the SIDF loan;
8. The borrower undertakes that its transaction be on a commercial basis.

13.2.4 Properties

Except as disclosed in Section 13.2.3.19 of this Prospectus "Saudi Industrial Development Fund (SIDF) Loan to SPTC", the Board of Directors declares that the Company has no mortgages, rights or charges on its properties as of the date of the Prospectus.

Set out below is a description of each of the properties owned, controlled or leased by the Company or its Subsidiaries:

13.2.4.1 Factories

Set out below is a summary of the factories owned by the Company together with details of the lease or ownership of the land on which each factory is situated.

STC Factories

a. Transformers Factory (1)

This factory has a plant size of 8,580 m^2 and manufactures three phase oil-filled distribution transformers rated up to 3.15 MVA. The factory is adjacent to the Company's offices.

The factory is located in the First Industrial City in Dammam adjacent to the Switchgear factory (7). The 32,091 m^2 land on which the two factories are situated, is leased by STC from the Saudi Industrial Property Authority (MODON) pursuant to a lease dated 22/5/1427H (corresponding to 18/6/2006G) for a period of 25 years commencing on 26/12/1425H (corresponding to 6/2/2005G).

b. SubStation Factory (2)

This factory has a plant size of 4,600 m^2 and assembles compact and unit substations from Factory (1).

The factory is situated on a 8,225 m^2 plot of industrial land located in the south Khalidiya area of Dammam, and the land is owned by STC pursuant to a Deed No. 930103008593 dated 20/5/1432H (corresponding to 24/4/2011G).

c. Transformers Factory (3)

This factory has a plant size of 4,953 m^2 and assembles distribution transformers. It is situated together with factory (5) on a 24,375 m^2 plot of industrial land located in the First Industrial City in Dammam. The land is leased by STC from the Saudi Industrial Property Authority (MODON) pursuant to a lease dated 2/3/1428H (corresponding to 21/3/2007G) for 25 years starting from 8/4/1424H (corresponding to 9/6/2003G).

WESCOSA Factories

a. Transformers Factory (4)

This factory has a plant size of 9,417 m^2 and manufactures distribution and small voltage transformers rated up to 20 MVA.

The factory is situated on 16,580 m^2 plot of industrial land located in the First Industrial City in Dammam. The land is leased by WESCOSA from the Saudi Industrial Property Authority (MODON) pursuant to a lease dated 24/12/1421H (corresponding to 28/4/2000G) for a period of 25 years commencing on 09/10/1421H (corresponding to 4/1/2001G).

b. Substation Factory (5)

This Substation Factory has a plant size of 4,132 m^2 and assembles compact and unit substations. This factory is situated together with factory (3) on a 24,375 m^2 plot of industrial land located in the First Industrial City in Dammam. The land is leased by STC from the Saudi Industrial Property Authority (MODON) pursuant to a lease dated 2/3/1428H (corresponding to 21/3/2007G) for a period of 25 years commencing on 8/4/1424H (corresponding to 9/6/2003G).

c. Central Steel Formation Factory (6)

This factory has a plant size of 19,910 m^2 and manufactures metal and other components of low and medium voltage transformers and electrical switches.

The factory is situated on a plot of industrial land located in the First Industrial City in Dammam which comprises (i) a 17,122 m^2 plot of land leased by WESCOSA from the Saudi Industrial Property Authority (MODON) pursuant to a lease dated 7/8/1422H (corresponding to 23/10/2001G) for a period of 25 years commencing on 9/10/1421H (corresponding to 4/1/2001G); and (ii) a 2,788 m^2 plot of land in the First Industrial City in Dammam owned by WESCOSA.

d. Switchgear Factory (7)

This factory has a plant size of 7,200 m^2 and manufactures motor control centers, low voltage switch racks, cable bus and bus ducts, relay and protection panels, as well as provides standardization services and engineering support for the switchgear business. It has the capacity to produce main panels, auxiliary panels, and bus ducts.

The factory is situated on a 7,200 m^2 plot of industrial land located in the First Industrial City in Dammam. The 32,091 m^2 land on which this factory and Transformers Factory (1) are located, is leased by STC from the Saudi Industrial Property Authority (MODON) pursuant to a lease dated 22/5/1427H (corresponding to 18/6/2006G) for a period of 25 years commencing on at the end of the previous lease that ended on 26/12/1425H (corresponding to 6/2/2005G).

e. Cable Tray Factory (8)

This factory has a plant size of 3,800 m^2 and manufactures all cable tray related products, including trays, straight trays, tray fittings and covers.

The factory is situated on an industrial land of an area of 13,125 m^2 plot as part of the land of a total area of 39,375 m^2 located in the Second Industrial City in Dammam. The land is leased by WESCOSA from the Saudi Industrial Property Authority (MODON) pursuant to a lease for a duration of 20 years starting from 17/4/1433H (corresponding to 11/3/2012G). The Company will use the rest of the land in its future expansion projects.

Saudi Transformers Company Factory

STC Factory (9)

This factory has a plant size of 11,000 m^2, and manufactures medium voltage transformers.

The factory is situated on an industrial land of an area of 42,075 m^2. The land, located in the Second Industrial City in Dammam is leased by STC from the Saudi Industrial Property Authority (MODON) pursuant to lease No. 802788 dated 17/4/1433H (corresponding to 10/3/2012G) for a period of 20 years commencing on the lease date.

13.2.4.2 Leases

The Company and its Subsidiaries have entered into a number of lease agreements to enable them to carry out their business, These agreements include those pertaining to factories for the Company and its Subsidiaries, offices, warehouses, and staff housing. The leased plots on which the Company established factories are listed in the table below, which include other lease agreements too. The following is a brief overview of lease agreements entered into by the Company and its Subsidiaries:

Offices

- Lease agreement between the Company and Qasim Nazir Property Management in respect to an office in the city of Abu Dhabi. The duration of this agreement is one year commencing on 8/9/1434H (corresponding to 16/7/2013G) and ending on 18/9/1435H (corresponding to 15/7/2014G). The lease is automatically renewed for an equal period of time, and has been renewed for an additional year.
- Lease agreement between the Company and Abdullah Saeed Khalaf Al Ghaith in respect to an office in the emirate of Dubai. The lease commences on 8/6/1435H (corresponding to 9/3/2014G) and ends on 17/5/1436H (corresponding to 8/3/2015G).
- Lease agreement between the Company and Saudi Real Estate Company in respect to an office for the Company in the city of Riyadh. The lease commences on 25/9/1434H (corresponding to 2/8/2014G), is renewed automatically, and has been renewed for an additional year.
- Lease agreement dated 17/9/1427H (corresponding to 29/9/2007G) between STC and Ahmad Ali Al Jahdali Al Harbi Establishment in respect to an office for the Company in the city of Jeddah. The duration of this agreement is one year and is renewed automatically. The lease was renewed several times and is valid until 26/11/1435H (corresponding to 21/9/2014G). It can be renewed for one or several comparable periods.

Housing

WESCOSA entered into a one year lease agreement with the Executive Office for Development in respect to staff housing in the Al Faisaliah neighborhood of Dammam. The lease entered into effect on 4/9/1435H (corresponding to 1/7/2014G). The lease is automatically renewed for one or several comparable periods.

Warehouses

One year automatically renewed lease agreement dated 1/9/1429H (corresponding to 1/9/2008G) in respect to a warehouse between STC and Al Saif Real Estate Investment (warehouse 8, 9,10), located in Al Khalediya, Dammam. The lease was renewed several times and expires on 30/8/1436H (corresponding to 17/6/2015G) and may be renewed for one or several similar periods.

One year automatically renewed lease agreement dated 21/9/1433H (corresponding to 9/8/2012G) in respect to eight warehouses between STC and Abdul Aziz Hamad Alfares & Sons Co., located in Al Khalediya, Dammam. The lease expires on 19/11/1435H (corresponding to 14/9/2014G) and may be renewed for one or several similar periods.

Lease agreement in respect to three warehouses between the Company and Bandar Al-Khaleej Co. in north Al Khalediya, Dammam. The lease duration is for one year commences on 29/4/1435H (corresponding to 1/3/2014G) and ending on 28/4/1436H (corresponding to 17/2/2015G). The lease may be renewed for one or several similar periods.

Following is a summary of leased land and real estate

No.	Location	The Parties in the Lease Agreement	The Date of the Lease Agreement	Annual Lease Amount	Area (m^2)	Duration	Type	Use
1	Dammam First Industrial City	STC and The Saudi Industrial Property Authority (MODON)	22/5/1427H (corresponding to 18/06/2006G)	SAR 641.80	32,091	25 years sarting from 26/12/1425H (corresponding to 06/02/2005G)	Land	Location of Transformers Plant (1) and Switchgears Plant (7)
2	Dammam First Industrial City	STC and The Saudi Industrial Property Authority (MODON)	02/03/1428H (corresponding to 21/3/2007G)	SAR 487.50	24,374	25 years starting from 08/04/1424H (corresponding to 09/06/2003G)	Land	Location of Transformers Plant (3) and Station Plant (5)
3	Dammam First Industrial City	WESCOSA and The Saudi Industrial Property Authority (MODON)	24/01/1421H (corresponding to 28/04/2000G)	SAR 331.60	16,580	25 years starting from 09/10/1421H (corresponding to 04/01/2001G)	Land	Location of Transformers Plant (4)
4	Dammam First Industrial City	WESCOSA and The Saudi Industrial Property Authority (MODON)	07/08/1422H (corresponding to 23/10/2001G)	SAR 324.44	17,122	25 years starting from 09/10/1421H (corresponding to 04/01/2001G)	Land	Location of a section of the Central Plant for Iron Formation (6)
5	Dammam Second Industrial City	WESCOSA and The Saudi Industrial Property Authority (MODON)	17/04/1433H (corresponding to 11/03/2012G)	SAR 39,375	39,375	25 years starting from 17/04/1433H (corresponding to 10/03/2012G)	Land	Location of the Cable tray Plant (8)
6	Dammam Second Industrial City	WESCOSA and The Saudi Industrial Property Authority (MODON)	17/04/1433H (corresponding to 10/03/2012G)	SAR 42,075	42,075	20 years starting from 17/04/1433H (corresponding to 04/01/2001G)	Land	Location of STC plant (9)
7	Emirate of Abu Dhabi in the UAE	The Company and Qasim Nazir Property Management LLC.	08/09/1434H (corresponding to 16/07/2013G)	AED 45,000	Office Space	1 year, and has been renewed as it is automatically renewed at the end of the period	Offices leased in a building	Office use
8	Emirate of Dubai in the UAE	The Company and Abdullah Saeed Al Ghaith	08/06/1435H (corresponding to 09/03/2014G)	AED 50,000	Office Space	1 year, automatically renewed and valid	Offices leased in a building	Office use
9	Riyadh	The Company and SRECO	25/09/1434H (corresponding to 02/08/2014G)	SAR 150,150	Office Space	1 year, automatically renewed and valid	Offices leased in a building	Office use

No.	Location	The Parties in the Lease Agreement	The Date of the Lease Agreement	Annual Lease Amount	Area (m^2)	Duration	Type	Use
10	Jeddah	STC and Ahmad Ali Al- Jahdali Al- Harbi Est.	17/09/1427H (corresponding to 29/09/2007G)	SAR 35,200	Office Space	1 year, automatically renewed and valid	Offices leased in a building	Office use
11	Al Faisaliah neighborhod in Dammam	WESCOSA and the Executive Development Office	04/09/1435H (corresponding to 01/07/2014G)	SAR 1,900,000	Housing Space	1 year, automatically renewed and valid	Rented Building	Worker Housing
12	Al Khaldia Area in Dammam	STC and Al Saif Real Estate Investment	01/09/1429H (corresponding to 01/09/2008G)	SAR 555,000	3 warehouses	1 year, automatically renewed and valid	Warehouses	Warehouses 8, 9 and10
13	Al Khaldia Area in Dammam	STC and Abdulaziz Hamad Al Fares & Sons Co.	21/09/1433H (corresponding to 09/08/2012G)	SAR 1,075,000	8 warehouses	1 year, automatically renewed and valid	Warehouses	8 warehouses
14	Northern Al Khaldia Area in Dammam	EIC and Banadr Al Khaleej Co.	29/04/1435H (corresponding to 01/03/2014G)	SAR 360,000	3 warehouses	1 year, automatically renewed and valid	Warehouses	3 warehouses

Source: EIC

It should be noted that the Company did not renew the staff housing lease with Al Rosan Co. because it entered into a new contract with the Executive Office for Development that can accommodate all the Company's workers.

13.2.4.3 Lands

The following is a summary of land owned by the Company with detailed deed numbers, history, values and purpose thereof:

Exhibit 13-1: Summary of Lands Owned by the company and its Subsidiaries

No.	Location	Deed Number	Date	Purchase Value in SAR	Area (m^2)	Purpose
1	Next to Dammam Second Industrial City	330104010339	13/3/1430H (corresponding to 10/3/2009G)	1,842,993	16,880.79	Vacant*
2	Next to Dammam Second Industrial City	330108004575	13/3/1430H (corresponding to 10/3/2009G)	1,552,410	16,512.12	Vacant*
3	Next to Dammam Second Industrial City	530106008836	13/3/1430H (corresponding to 10/3/2009G)	1,213,497**	17,249.46	Vacant*
4	Next to Dammam Second Industrial City	730108004576	13/3/1430H (corresponding to 10/3/2009G)	1,552,410	17,618.13	Vacant*
5	Al Khalediya, Dammam	930103008593	20/5/1432H (corresponding to 24/4/2011G)	2,482,500	8,225	Warehouse, and Transformers Factory (2)
6	Dammam First Industrial City	68/395/1	14/6/1424H corresponding to 12/8/2003G)	3,000,000	2,787.09	Part of the land on which the Steel Factory is situated

No.	Location	Deed Number	Date	Purchase Value in SAR	Area (m^2)	Purpose
7	Nahda, Dammam	330109001641	7/1/1435H (corresponding to 10/11/2013)	26,900,760	20,504.5	Staff housing

Source: EIC

* The deeds to these four pieces of land are in the name of Abdul Aziz Al Shalali (the former CEO of the Company); and the Company has, as of the date of this Prospectus, been unable to transfer ownership thereof due to a government suspension of deed transfer transaction pertaining to the land.

** The Title Deed does not note the purchase price, but the Company was affirmed that the land purchase price equaled (SAR 1,213,497) one million two hundred thirteen thousand four hundred ninety-seven Saudi Riyals.

13.2.5 Licenses, Permits and Certificates

The Company and its Subsidiaries obtained all permits required for their operations, including the necessary industrial licenses for the operations of their factories and the conduct of their activities. In addition, STC and WESCOSA obtained environmental management and quality management certificate for their implementation of the Geneva based International Organization for Standardization (ISO) standard. The following is a description of the licenses, permits and certificates obtained by the Company and its Subsidiaries:

Exhibit 13-2: Permits Obtained by the Company and its Subsidiaries

License or Permit	Company	Donor Authority	License No.	Valid Until
Industrial License	STC	MOCI	8626K issued on 24/12/1432H	23/12/1435H
Industrial License	WESCOSA	MOCI	886K issued on 27/2/1433H	26/2/1436H
Industrial License	WESCOSA	MOCI	1937K issued on 18/8/1435H	15/8/1438H
Industrial Investment License	STC	SAGIA	121031118996 issued on 18/10/1431H	24/9/1436H
Service Investment License	CGPSSA	SAGIA	122031118997-01 issued on 18/10/1431H	17/10/1435H*
Saudization Certificate	STC	MOL	N/A	25/11/1435H
Saudization Certificate	WESCOSA	MOL	N/A	25/11/1435H
Saudization Certificate	STC	MOL	N/A	28/11/1435H
Saudization Certificate	CGPSSA	MOL	N/A	28/11/1435H
Zakat Certificate	EIC	Ministry of Finance - Department of Zakat and Income	109765	11/7/1436H
Zakat Certificate	STC	Ministry of Finance - Department of Zakat and Income	112331	11/7/1436H
Zakat Certificate	WESCOSA	Ministry of Finance - Department of Zakat and Income	111836	11/7/1436H
Civil Defense Permit	WESCOSA	Civil Defense	1433072410341 issued on 4/7/1433H	24/7/1435H*
Civil Defense Permit	WESCOSA	Civil Defense	1434082613751 issued on 26/8/1434H	26/8/1436H*
Civil Defense Permit	STC	Civil Defense	143103041111 issued on 4/3/1431H	4/3/1433H*

License or Permit	Company	Donor Authority	License No.	Valid Until
ISO EMS Certification 14001:2004 (ISO 14001:2004)	WESCOSA	TUV NORD CERT GmbH	44104071819 For the design, manufacture and maintenance of transformers up to 20 MVA, and the manufacture of tanks and installations.	30/1/2015G
ISO EMS Certification 14001:2004 (ISO 14001:2004)	STC	TUV NORD CERT GmbH	44104117647 For the design, manufacture and maintenance of transformers up to 5 MVA	4/2/2015G
ISO Quality Certification 9001:2008	STC	TUV NORD CERT GmbH	04100950567 For the design, manufacture and maintenance of transformers up to 5 MVA	21/8/2017G
ISO Quality Certification 9001:2008	WESCOSA	TUV NORD CERT GmbH	44100071819 For the design, manufacture and maintenance of transformers up to 20,000 kVA, and the manufacture of tanks and installations.	16/10/2016G
ISO Quality Certification 9001:2008	WESCOSA	TUV NORD CERT GmbH	For the design, manufacture and testing of a number of products including controllers and load break switches	8/10/20016G
ISO Quality Certification 9001:2008	WESCOSA	TUV NORD CERT GmbH	44100071820 For the calibration of measuring and test equipment	18/9/2016G

Source: EIC

* These permits and licenses are in the process of being renewed.

** The Company has not been exposed to substantive sanctions, penalties or penalties.

Zakat Undertaking

On 28/11/2012G, the selling shareholders signed an unconditional and indefinite undertaking to cover any additional zakat/tax amounts that may arise from DZIT's assessment of the following matters:

- Zakat on STC short-term loans for fiscal years 2007G and 2008G.
- Zakat resulting from the merger between STC and WESCOSA in 2005G.
- Zakat resulting from the restructuring and acquisition of the following companies: EIC, STC and WESCOSA in 2010G.
- Any zakat resulting from the sale of the Company's Shares through the IPO.
- Additional Zakat or taxes for years in which no final assessment was issued by the DZIT for both STC and WESCOSA until such date when the Company's Shares are sold through an IPO.

The undertaking is for the purpose of the above-mentioned items and the selling shareholders shall bear no responsibility for any other payments that could result items not mentioned above.

13.2.6 Insurance

The Company has entered into various insurance policies providing it and its Subsidiaries with a wide range of coverage that the Company believes to be adequate to cover the risks associated with the assets of the Company and its Subsidiaries, or those associated with their business. There are no substantial items or exceptions in the insurance coverage that have not been disclosed. Listed below are the key details about the Company and its Subsidiaries' insurance policies:

Exhibit 13-3: Summary of Insurance Policy

Company	Type of Coverage	Duration	Premium
STC	Health Insurance	1/1/2014G until 31/12/2014G	SAR2,464,146
WESCOSA	Health Insurance	1/1/2014G until 31/12/2014G	SAR 3,185,756
STC	Comprehensive Motor Vehicle Insurance Policy	12/1/2014G until 11/1/2015G	SAR 60,333.39*
WESCOSA	Comprehensive Motor Vehicle Insurance Policy	31/1/2014G until 18/3/2015G	SAR 47,457.00*
WESCOSA	Civil and Production Liability	1/2/2014G until 31/1/2015G	SAR133,375
EIC, STC and WESCOSA	Workers› Compensation Insurance	1/2/2014G until 31/1/2015G	SAR122,100
EIC and/or STC and/or WESCOSA	All Risk Property Insurance	1/2/2014G until 31/1/2015G	SAR1,019,287
EIC and/or STC and/or WESCOSA	Business Interruption Insurance	1/2/2014G until 31/1/2015G	SAR 1,650,897.26*
EIC and/or STC and/or WESCOSA	Open Marine Insurance (shipping and goods in transit)	1/2/2014G until 31/1/2015G	(15%) of the expected annual value which amounts to SAR 650 million

Source: EIC

* The above sums were confirmed through the Company.

13.2.7 Intellectual Property

The Company is the registered owner of the WESCOSA logos, the STC logo and the EIC logos. The Company does not own any other intangible asset such as trademarks, patents, copyright or other intellectual property.

The Company and its Subsidiaries have secured and protected their intangible assets by registering their trademarks which are material in relation to their businesses and profitability, in many categories, in order to protect their intellectual property rights, inside and outside the Kingdom of Saudi Arabia.

The competitive position of the Company and its Subsidiaries depends, among others, on their ability to protect and use their intangible assets. Accordingly, their inability to protect these assets, or in some cases the need to take legal action to protect them, may adversely affect the company and its subsidiaries' trademarks, which makes business more expensive and adversely affects the Company and its Subsidiaries' results of operations.

Following are the key details of the various trademarks registered by the Company and its Subsidiaries.

Exhibit 13-4: Key details of the various trademarks registered by the Company and its Subsidiaries

Company Name	Trademark	Status	Class	Logo
EIC	EIC Logo	Valid until 18/10/1442H (corresponding to 30/5/2021G)	9	EIC شركة الصناعات الكهربائية ELECTRICAL INDUSTRIES CO.
EIC	EIC Logo	Valid until 2/1/1439H (corresponding to 22/9/2017G)	7	الصناعات الكهربائية Electrical Industries
WESCOSA	WESCOSA Logo	Valid until 19/9/1442H (corresponding to 1/5/2021G)	9	WESCOSA® وسكوسا
WESCOSA	WESCOSA Logo	Valid until 19/9/1442H (corresponding to 1/5/2021G)	6	WESCOSA® وسكوسا
STC	STC Logo	Valid until 10/11/1441H (corresponding to 1/7/2020G)	9	شركة المحولات STC السعودية المحدودة

Source: EIC

13.2.8 Litigation

The Directors and Management affirm that the Company and/or any of its affiliated companies are not involved, as of the date of this Prospectus, in any litigation, arbitration or administrative proceedings that would, individually or in aggregate, have a material adverse effect on its financial condition and results of its operations, and that as far as the Directors and Management are aware, no such litigation, arbitration or administrative proceedings are threatened or pending against the Company or its Subsidiaries, which might have a material adverse effect on its financial condition and results of its operations. The Company would also like to clarify that the Company as well as WESCOSA and STC have two lawsuits that are being examined by KSA competent judicial authorities and do not have, individually or in aggregate, a material adverse effect on its financial condition and results of its operations. These lawsuits and claims may be summarized as follows:

1. A lawsuit brought by STC on 5/8/2010G against a company that had been already contracted by STC concerning a claim of (SAR 700,000) seven hundred thousand Saudi Riyals as compensation for not completing the project. The case is still pending and no hearing has been scheduled yet.
2. A lawsuit was brought against WESCOSA, with the judge deciding to stay the case because the Plaintiff failed to appear for two consecutive hearings.

13.3 Related Party Transactions

There are a number of transactions that the Company, its Subsidiaries and Associates entered into with related parties. The Company stresses that all transactions with related parties described herein follow commercial norms and do not include any preferential terms. The following is a summary of these transactions as at 30/5/1435H (corresponding to 31/3/2014G):

1. Transformer purchase orders and maintenance services resulting in amounts due from Al Touki Company for Manufacturing, Trade and Contracting totaling (SAR 15,969,591) fifteen million nine hundred and sixty-nine thousand, five hundred and ninety-one Saudi Riyals in 2013G.
2. Transformer and cable tray purchase orders, as well as maintenance services resulting in amounts due from Al Quraishi Company for Electrical Services totaling (SAR 3,392,485) three million three hundred and ninety-two thousand four hundred and eighty-five Saudi Riyals in 2013G.
3. Purchase orders resulting in amounts due to CGPSSA for maintenance services rendered totaling (SAR 7,029,155) seven million fifty-nine thousand, one hundred and fifty-five Saudi Riyals in 2013G.
4. Purchase orders resulting in amounts due to CG Power for technical support services rendered totaling (SAR 7,259,674) seven million, two hundred and fifty-nine thousand, six hundred and seventy-four Saudi Riyals in 2013G.
5. Cross guarantees provided by WESCOSA STC and EIC as security to finance various facilities described in Section 13.2.3 of this Prospectus entitled "Summary of Material Financing Agreements".

The Company reports that Ali Zaid Al-Quraishi & Bros. Co., Ltd., which has representatives on the Board of Directors, owns shares in Al Quraishi Electrical Services of Saudi Arabia, which operates in the field of switchgear sales, which constitutes a conflict of interest with the Company. The Company also reports that Al Toukhi Group does not conduct any competing business activities that result in a conflict of interest with the Company, but purchases transformers and switchgear panels from the Company for its projects.

The Company submitted these transactions to and received the approval of the General Assembly on 15/4/2014G, pursuant to Article (70) of the Companies Law.

Other than the above arrangements, the Company is not a party to any related party transactions. Furthermore, except for those mentioned above, there are no competing activities that lead to a conflict of interest.

13.4 Participation of Members of the Board in other Companies with Similar or Competing Purposes to the **Company**

A number of the Company's Board members are, through their membership in the Board of Directors or through their shareholding in the capital, involved in companies which might pursue similar purposes or be in competition with the Company. The following table provides information on the Board members regarding their participation, as of the date of this Prospectus, in companies with similar or competing purposes to the Company.

Table No. 14.1: Board members participating in companies conducting similar or competing activities with the Company through their position in the Board or Shareholding in the capital

Other Companies related the Board Member	Member›s Capacity in the related Company		Nature of Related Company›s Business	Does it compete with the Company?
	Owner	Board Member / Manager		
Ahmed bin Nasser bin Yaacoub Al Suwaidan				
Dhahran Emaar Company	Yes	Yes	Real estate and contracting	No
Gulf Chemicals and Industrial Oils Company	Yes	Yes	Industrial oils and chemicals	No

Other Companies related the Board Member	Member›s Capacity in the related Company		Nature of Related Company›s Business	Does it compete with the Company?
	Owner	Board Member / Manager		
Arabian Seals Company	Yes	Yes	Industry	No
Mahmoud Bin Mohammed Bin Mahmoud Al Toukhi				
Amana Cooperative Insurance Company	No	Yes	Cooperative insurance	No
Arabian Dasar Contracting Company	No	Yes	Maintenance and contracting	No
Al Toukhi Ozdil Energy Transport Company	Yes	Yes	Industry	No
Al Toukhi Investments Company - Dubai	Yes	Yes	Investment	No
Saudi Electrical Switches & Sockets Factory Company	Yes	Yes	Industrial sector	No
International Industrial Tools Company (INDCO)	Yes	Yes	Industrial sector	No
Mona Cool Company - Beirut	Yes	Yes	Water technology and filling	No
Al Toukhi Trading Group	Yes	Yes	Trading field	No
Al Toukhi Industrial, Trading and Contracting Company	Yes	Yes	Trading and contracting	No. Al Toukhi for Industry, Trading & Contracting, operates in the implementation of turnkey engineering, procurement and construction (EPC) contracts for high-voltage power generation and transmission projects. The company is classified as a contractor of the first category, while CGPSSA is engaged in the field of implementing EPC contracts, which includes the installation of medium voltage substations and mobile substations, as well as testing and installation and maintenance.
Faisal Bin Saleh Bin Zaid Al Quraishi				

Other Companies related the Board Member	Member›s Capacity in the related Company		Nature of Related Company›s Business	Does it compete with the Company?
	Owner	Board Member / Manager		
Ali Zaid Al Quraishi & Brothers Company Ltd.	Yes	Yes	Trading and investment	No
Tawkilat Trading & Installments Company	Yes	Yes	Trading	No
United Motors Company	Yes	Yes	Trading	No
Tyco Middle East Company	Yes	Yes	Industry	No
Fahd Bin Saad Bin Abdullah Al Tuwaijri				
National Establishment for Concrete Products	No	Director General	Manufacturing concrete products	No
Saudi Transformers Company	No	Yes	Industry	No
Saad Al Tuwaijri Office	Yes	Deputy Director General	Contracting services	No
Youssef Bin Ali Bin Zaid Al Quraishi				
Ali Zaid Al Quraishi & Brothers Company Ltd.	Yes	Managing Director	Trading and investment	No
Kalaam Telecom (Bahrain)	No	Yes	Telecommunications	No
Saudi Networks Industry Company	No	Yes	Industry	No
Royal and Sun Alliance Middle East Company - Bahrain	Yes	Yes	Insurance	No
Safari Holding Company - Cayman Islands	No	Yes	Holding investments company	No
Adnan Bin Ibrahim Bin Al Hammoud Al Muhaisen				
-	-	-	-	He does not hold any shares or positions in any company conducting similar or competing activities to the Company as on the date of this Prospectus.
Talal Bin Ahmed Bin Abdullah Al Zamel				
Saudi Fransi Capital	No	Yes	Financial intermediation	No
Saleh Bin Ali Bin Hammoud Al Athl				
The Saudi Investment Bank	No	Yes	Financial sector	No

Other Companies related the Board Member	Member›s Capacity in the related Company		Nature of Related Company›s Business	Does it compete with the Company?
	Owner	Board Member / Manager		
Motabaqah Saudi Specialized Laboratories Company	No	Yes	Examination of all the devices, equipment, vehicles and other imports to KSA according to the international specifications and standards.	No
Saudi Telecom Company	No	Yes	Telecommunications	No

Source: EIC

* The table above does not include ownership and membership in the Company, its Subsidiaries and Associates.

14. Description of Shares

14.1 Capital of the Company

The capital of the Company is (SAR 450,000,000) four hundred and fifty million Saudi Riyals, consisting of (45,000,000) forty-five million ordinary shares of a nominal equal value of (SAR 10) ten Saudi Riyals per share.

14.2 Increase of Capital

The Extraordinary General Assembly may, after validating the economic feasibility and obtaining the approval of the competent authorities, decide to increase the Company's capital once or several times by issuing new shares at the same nominal value of the original shares, provided that the original capital is paid in full, taking into account the Companies' Law. The said decision shall specify the method of increase of the capital and the shareholders shall have priority of subscription in the new cash shares. The shareholders shall be advised of their priority rights by means of a notice published in a daily newspaper concerning the decision of increase of the capital and the subscription conditions or by means of a written notice addressed to the shareholders by registered mail. Each Shareholder may exercise his pre-emptive rights, within fifteen (15) days of the publication of such notice or receipt of said notice. Shares issued pursuant to an increase in capital shall be allotted to those original Shareholders who have elected to exercise their pre-emptive rights pro-rata to their respective shareholdings in the Company, provided that the number of Shares allocated to each Shareholder does not exceed the number of new Shares for which he has applied.

14.3 Decrease of Capital

The Company may, based on acceptable justifications and with the consent of the competent authorities, decrease the capital if it is proved to have exceeded its needs. This decision shall be issued in the extraordinary General Assembly meeting after reading the Auditor's report on the reasons necessitating the decrease and the obligations that shall be met by the Company and the effect of the decrease on these obligations, taking in consideration the Companies' Law. If the decrease was a result of the capital exceeding the Company's needs, the Company's creditors shall be invited to express their objection thereto within (60) sixty days from the date of publication of the decision of decrease in a daily newspaper distributed in the city where the headquarters of the Company is located. If one of the creditors objects and submits proof documents of this debt to the Company on the specified date, the Company shall pay its debt if payable immediately or submit sufficient guarantees if it is deferred.

14.4 Shares

The Company's shares shall be nominal and may not be issued at less than their nominal value. However, they may be issued at an issue price higher than their nominal value, in which case the difference in value is to be added to the statutory reserve, even if the reserve has reached its maximum limit. The shares shall be indivisible, and in the event where a share is owned by more than one person, they must select one of them to exercise, on their behalf, the rights pertaining to the share, and such persons are jointly responsible for the obligations arising from the ownership of the share.

14.5 Transfer of Shares

The transfer of shares is governed by, and must comply with, the regulations governing companies listed on Tadawul. Transfers made other than in accordance with such regulations are void. Persons whose names are listed herein as owners in the Company may not dispose of any Shares for a period of 12 (twelve) months from the date on which trading of the Company's Shares commences on the Exchange. At the end of this Lock-up Period, they may dispose of their Shares only after obtaining prior CMA approval.

14.6 Re-purchase of Shares

According to Article 105 of the Companies' Law, the shareholding Company shall not purchase its shares unless in the following cases:

1. If the purpose of the purchase is the depreciation of the shares under the conditions stated in Article 104 of the Companies' Law stipulating that the articles of association of the Company may stipulate the depreciation of the shares during the existence of the Company, in case of a project of gradual depreciation or based on temporary rights.
2. If the purpose of the purchase is to decrease the capital.
3. If the shares are within a range of funds purchased by the Company with its assets and liabilities.

Except for the shares offered as a guarantee of responsibility of the Board members, the Company shall not mortgage its shares. The shares owned by the Company shall not voting rights in the deliberations of the shareholders' assemblies.

14.7 Voting Rights

The Company shall have only one category of shares and no Shareholder shall be granted preferential rights as each share gives its holder the right to one vote. Each shareholder owning at least twenty (20) shares has the right to attend a General Assembly and may authorize another shareholder (other than a member of the Board of Directors) to attend the General Assembly on his behalf. Votes at the meetings of Ordinary and Extraordinary General Assemblies are counted on the basis of one vote for each share represented at the meeting.

The decisions of the Ordinary General Assembly shall be issued by the absolute majority of the shares represented in the meeting, while the decisions of the Extraordinary General Assembly shall be issued by the majority of two thirds (2/3) of the shares represented in the meeting. However, if the decision was related to the increase or decrease of the capital, prolongation of the Company's duration, dissolution of the Company before expiry of the duration specified in its statute or the merger of the Company in another company or establishment, the decision shall not be correct unless it is issued by the majority of three quarters (75%) of the shares represented in the meeting.

Every shareholder shall have the right to discuss the items listed in the agenda of the General Assemblies and ask questions thereon to the members of the Board and the Auditor. The Board of Directors or the Auditor shall answer the shareholders' questions in a way not exposing the Company's interest to damage. If the shareholder sees that the answer to his question is not convincing, he shall refer to the Assembly and the latter's decision in this regard shall be valid.

14.8 Shareholders' Rights

Under Article 108 of the Companies Regulations, a Shareholder is vested with all the rights attached to Shares, which include in particular the right to receive a share in the profits declared for distribution, the right to a share in the Company's assets upon liquidation, the right to attend Shareholders' Assemblies and participate in the deliberations and vote on the resolutions (proposed), the right to dispose of shares, to right to access to the Company's books and documents, the right to supervise the acts of the Board of Directors, the right to institute proceedings against the Board members and to contest the validity of the resolutions adopted at the Shareholders' Assemblies according to the conditions and restrictions stated in the Companies Regulations. According to the Companies Regulations, Shareholders are not entitled to require the Company to buy-back their Shares.

14.9 Shareholders' General Assembly

A General Assembly duly convened is deemed to represent all the Shareholders and must be held in Dammam.

Except for the matters that are specific to the Extraordinary General Assembly, the Ordinary General Assembly shall be specialized in all the matters related to the Company. It shall be held at least once per year within the six months following the end of the Company's financial year. Other ordinary assemblies may be convoked whenever required

The invitation to the General Assembly meeting, the date of the meeting and the agenda thereof shall be published in the Official Gazette and in a daily newspaper published in the city where the headquarters of the Company is located, at least twenty-five (25) days prior to the date of the General Assembly. The Board of Directors must convene a meeting of the Ordinary General Assembly if requested to do so by the Auditors or by shareholders representing at least five percent (5%) of the Company's capital.

A meeting of the Ordinary General Assembly is quorate if attended by Shareholders representing at least fifty percent (50%) of the Company's capital. If such quorum is not present at the first meeting, a second meeting must be held within few days. Notice of such meeting must be published in compliance with the procedures set out above. The second meeting is quorate whatever is the number of represented shares therein.

A meeting of the Extraordinary General Assembly is quorate if attended by Shareholders representing at least fifty percent (50%) of the Company's capital. If such quorum is not present at the first meeting, a second meeting must be held within thirty (30) days following the time set for the first meeting. The second meeting is quorate if attended by Shareholders representing at least one quarter (25%) of the capital.

The General Assembly shall be presided by the Chairman or his representative in his absence. The President shall appoint a Secretary of the meeting and a canvasser. A minutes shall be prepared concerning the Assembly meeting including the names of the shareholders present or represented, the number of shares held by them in person or by proxy, the number of votes decided for the same, the decisions taken, the number of votes approving or disapproving these decisions and a summary of the discussions that took place at the meeting. The minutes shall be written regularly after every meeting in a special register signed by the President of the Assembly, the Secretary and the canvasser.

14.10 Dissolution and Liquidation of the Company

Upon termination of the Company or in case of its dissolution before its specified duration, the Extraordinary General Assembly shall decide the liquidation method, upon the suggestion of the Board of Directors, and shall appoint one or more liquidators specifying their authorities and fees. The authority of the Board of Directors shall end upon termination of the Company. However, the Board of Directors shall stay responsible for the management of the Company until the appointment of a liquidator and the Company's staff shall keep their competencies in a way not contradicting the competencies of the liquidators.

15. Underwriting Agreement

15.1 Names and Addresses of the Underwriters

Samba Capital & Investment Management Company "Lead Underwriter", and Al Rajhi Capital "Secondary Underwriter" undertake, pursuant to the Underwriting Agreement concluded with the Company, to fully underwrite the subscription shares amounting to (13,500,000) thirteen million and five hundred thousand ordinary shares.

Samba Capital & Investment Management Company (Samba Capital)

KSA Centre, 14th floor, Olaya Street

P.O. Box 220007 Riyadh 11311

Kingdom of Saudi Arabia

Tel: +966 (11) - 4774770

Fax: +966 (11) - 2117438

Website: www.sambacapital.com

E-mail: IPO@sambacapital.com

Al Rajhi Capital

King Fahad Road

P.O. Box 5561, Riyadh 114325

Kingdom of Saudi Arabia

Tel.: +966 (11) 211 9292

Fax: +966 (11) 211 9299

Website: www.alrajhi-capital.com

Email: PR@alrajhi-capital.com

15.2 Main Conditions of the Underwriting Agreement

The terms and conditions set forth in the Underwriting Agreement are as follows:

1. The Company and its current Shareholders undertake to the Underwriters to carry out, on the closing date (as specified in the Underwriting Agreement), the following:
   - Sell and allocate the Offer Shares to any subscriber whose application was accepted by any of the receiving authorities and / or
   - Sell and allocate any of the Offer Shares not purchased by the subscribers under the conditions of the Underwriting Agreement.
2. The Underwriters undertake, in favor of the Company, to purchase on the allocation date, all the Offer Shares not subscribed by subscribers (if any) at the subscription price; based on a ratio of (70%) by the Lead Underwriter and (30%) by the Secondary Underwriter.
3. The Underwriters shall receive a fee in return of their underwriting, representing a specific percentage of the total subscription proceeds.

16. Subscription Expenses

The Selling Shareholders will be responsible for all expenses and costs associated with the Offer, estimated at SAR 20,000,000. This figure includes the fees of the financial advisor, underwriters, legal advisor to the Company, legal accountant and Professional Financial Care and Working Capital Advisor, in addition to the expenses of the Receiving Agents, marketing expenses, printing, distribution expenses and other related expenses.

17. Subscription Conditions and Instructions

The application for listing and admission has been submitted, pursuant to the Listing Rules by the Capital Market Authority in the Kingdom of Saudi Arabia.

All investors shall read the subscription conditions and instructions carefully before completing the Subscription Application Form. Signing the Subscription Application Form and delivering it is deemed as acceptance and approval of the subscription conditions and instructions.

17.1 Subscription

The Offer will consist of (13,500,000) thirteen million and five hundred thousand ordinary shares with a nominal value of (SAR 10) ten Saudi Riyals per share with a fully paid total Offer Price of SAR 729,000,000 at SAR 54 per share and representing (30%) of the Company's issued capital. The Offer is restricted to two tranches of investors:

Tranche (A): Institutional Investors

Consisting of a number of corporations, including investment funds (please see Section 1 of this Prospectus Definitions and Abbreviations). The number of Offer shares to be allocated to Institutional Investors is (13,500,000) thirteen million and five hundred thousand ordinary shares representing (100%) of the total Offer Shares. In the event there is sufficient demand by Individual Investors (as defined in Tranche "B" below) of the Offer Shares, the Lead Manager has the right, after the consent of the Authority, to reduce the number of Shares allocated to Institutional Investors to (6,750,000) six million seven hundred and fifty thousand Shares, representing (50%) of the total Offer Shares. A percentage of (90%) of the Offer Shares allocated to this segment will be reserved for investment funds, with this percentage adjustable depending on insufficient demand by other Institutional Investors for the whole remaining percentage (10%) or if investment funds do not subscribe to the full (90%) allocated to them.

Tranche (B): Individual Investors

Saudi Arabian natural persons, including Saudi women who are divorced or widowed and who have children by a non-Saudi husband who may subscribe for Offer Shares in the name(s) of any of those children who are minors for her own benefit. The subscription by a person in the name of his divorced wife shall be deemed invalid and those who perform such transactions will be subject to penalty under the Law. If two subscriptions are submitted, the second shall be deemed void and only the first one shall be taken into consideration. A maximum of (6,750,000) six million seven hundred and fifty thousand Shares representing (50%) of the Offer Shares shall be allocated to Individual Investors. In the event of insufficient take up by Individual Investors, the Lead Manager may reduce the number of shares allocated to Individual Investors in proportion to the number of shares subscribed by them, subject to the approval of the Authority.

Establishment of a Subscription Orders Register

The Institutional Investors shall submit an irrevocable subscription order for purchase of the Offer Shares along with an undertaking of payment, prior to conclusion of fixing the Offering Price, which precedes commencement of the Offering Period. The Institutional Investor shall determine the number of Offer Shares they intend to subscribe to, which shall not be less than (100,000) on hundred thousand Shares, on the condition that they be allocable, in addition to the required Offer Price. Subscriptions by the Institutional Investors shall commence during the Offering Period, which also include the Individual Investors, according to the terms, conditions and detailed contained in the Subscription Applications Forms that have been delivered to the subscribing institutions.

Each of the Individual Investors to the Offer Shares shall subscribe to at least (10) ten shares. The maximum limit of each Subscriber shall be of (250,000) two hundred and fifty thousand Shares and the minimum limit (10) ten Shares per subscriber. The remaining Offer Shares - if any - shall be allocated on a proportional basis according to the rate of demand of each Subscriber to the total Offer Shares. If the number of Subscribers exceeds (675,000) six hundred seventy-five thousand Subscribers, the Company shall not guarantee the minimum allocation limit and the allocation shall be made equally on the number of Subscribers. If the number of Subscribers exceeds (6,750,000) six million seven

hundred fifty thousand Subscribers, the allocation shall be made as decided by the Company and Financial Advisor. The surplus subscription - if any - shall be returned to the Subscribers without any commissions or deductions by the Lead Manager or the Receiving Agents. The announcement of the final allocation process and return of the surplus shall be made on Monday 02/02/1436H (corresponding to 24/11/2014G). (Please refer to section "Key Dates and Subscription Procedures", page xiv, and Section 17 of this Prospectus entitled "Subscription Conditions and Instructions").

A signed Subscription Application Form submitted to the Lead Manager or the Receiving Agents represents a legally binding agreement between the Selling Shareholders and the Applicant.

Saudi applicants may obtain the Prospectus and the Subscription Forms from the following Receiving Agents:

Receiving Agents
samba سامبا
Al Rajhi Bank مصرف الراجحي
NCB الأهلي
بنك الرياض riyad bank
البنك السعودي الفرنسي Banque Saudi Fransi
SABB ساب
البنك السعودي الهولندي Saudi Hollandi Bank

Subscription may be carried out online, through telephone banking or ATMs at the Receiving Agents that allow one or all of these services to the Subscribers who already subscribed to one of the subscriptions offered lately, provided that (1), the Subscriber holds an account at the Receiving Agent providing these services, and (2) no changes shall have occurred to the information or data of the Subscriber since his recent subscription.

The Receiving Agents will commence receiving Subscription Application Forms at their branches throughout KSA beginning on Tuesday 18/01/1436H (corresponding to 11/11/2014G) until Monday 24/01/1436H (corresponding to 17/11/2014G). Once the Subscription Application Form is signed and submitted, the Receiving Agent will stamp it and provide the Applicant with a copy of the completed Subscription Application Form. In the event that the information provided in the Subscription Application Form is incomplete or inaccurate or not stamped by the Receiving Agent, the Subscription Application Form will be considered void. The applicant shall then not have the right to claim any compensation for the damages incurred due to such cancellation.

Each Applicant is required to specify the number of Offer Shares applied for in the Subscription Application Form, in an amount equal to the number of Offer Shares applied for multiplied by the Offer Price of SAR 54 per share .

Subscriptions for less than (10) ten Offer Shares or fractional numbers will not be accepted. Increments are to be made in multiples of this number, while the maximum number of Shares to be applied for is (250,000) two hundred fifty thousand Shares.

Subscription Application Forms should be submitted during the offering period and accompanied (where applicable) with the following documents. The Receiving Agents will verify all copies against the originals and will return the originals to the Applicant:

- Original and copy of the Subscriber's Civil Affairs Card (in the case of individuals);
- Original and copy of the Family Register (when subscribing on behalf of family members);
- Original and copy of a power of attorney, guardianship or custody certificate (when subscribing on behalf of family members);
- Original and copy of certificate of guardianship (when subscribing on behalf of orphans);
- Original and copy of the divorce deed (when subscribing on behalf of the children of a divorced Saudi woman);
- Original and copy of the death certificate (when subscribing on behalf of the children of a widowed Saudi woman);
- Original and copy of the birth certificate (when subscribing on behalf of the children of a divorced or widowed Saudi woman).

Powers of Attorney shall be limited to family members (parents and children only). In the event an application is made on behalf of an Applicant (parents and children only), the name of the person signing on behalf of the Applicant should be stated. The power of attorney must be issued before a notary public for the Individual Investors residing in Saudi Arabia and must be legalized through a Saudi embassy or consulate in the relevant country for the Individual Investors residing outside Saudi Arabia.

One Subscription Application Form should be completed for each head of family applying for himself and members appearing on his family identification card if the family members apply for the same number of Offer Shares as the prime Applicant. In this case:

- All Offer Shares allocated to the prime Applicant and dependent Applicants will be registered in the prime Applicant's name;
- The prime Applicant will receive any refund in respect of amounts not allocated and paid for by himself and dependent Applicants;
- The prime Applicant will receive all dividends distributed in respect of the Offer Shares allocated to himself and dependent Applicants (in the event the Shares are not sold or transferred).

Separate Subscription Application Forms must be used if:

- The Shares that will be allocated are to be registered in a name other than the name of the prime Applicant / head of the family;
- Dependent Applicants wish to apply for a different number of Offer Shares than the prime Applicant;
- The wife subscribes in her name adding allocated shares to her account (she must complete a separate Subscription Application Form as a prime Applicant). In the latter case, applications made by the husbands on behalf of their spouses will be cancelled and the independent application of the wives will be processed by the Receiving Bank.

A Saudi female divorcee or widow who has minor children from a marriage to a non-Saudi can subscribe on behalf of those children provided she submits proof of motherhood.

During the Offer Period, only a valid Iqama will be an acceptable form of identification for non-Saudi dependents. Passports or birth certificates will not be accepted. Non-Saudi dependents can only be included as dependents with their mother and cannot subscribe as primary subscribers. The maximum age for non-Saudi dependents to be included with their mother is 18. Any documents issued by a foreign government must be notarized by a Saudi consulate or embassy in the relevant country.

Each Applicant agrees to subscribe for and purchase the number of Offer Shares specified in the Subscription Application Form for an amount equal to the number of Shares applied for multiplied by the Offer Price of SAR 54 per Share. Each Applicant shall have acquired the number of shares allocated to him/her upon:

- Delivery by the Applicant of the Subscription Application Form to any of the Receiving Agents;
- Payment in full by the Applicant to the Receiving Agent of the total value of the Offer Shares subscribed for;
- Delivery to the Applicant by the Receiving Bank of the allotment letter specifying the number of Offer Shares allotted to him/her.

The total value of the Offer Shares subscribed for must be paid in full at a branch of the Receiving Agents by authorizing a debit of the Applicant's account held with the Receiving Agent where the Subscription Application Form is being submitted.

If a submitted Subscription Application Form is not in compliance with the terms and conditions of the Offer, the Company shall have the right to reject, in full or in part, such an application. The Applicant shall accept any number of Offer Shares allocated to him/her unless the allocated shares exceed the number of Offer Shares he has applied for.

17.2 Allocation and Refunds

The Receiving Agents shall open escrow accounts named ("Electric Industries Company-IPO"). Each of the Receiving Agents shall deposit all amounts received from the Applicants into the escrow accounts mentioned above.

Allocation of Offer Shares to Institutional Investors

The allocation of Offer Shares to the Institutional Investors shall be determined by the Company (as it deems appropriate) after discussions with the Lead Manager after the allocation of Offer Shares to the Individual Investors is completed, however, the number of Offer Shares allocated to the Institutional Investors shall not be less than (6,750,000) six million seven hundred and fifty thousand Shares representing (50%) of the Offer Shares. A percentage of (90%) of the Shares allocated to this tranche shall be allocated to investment funds, provided that this rate is adjustable in case other Institutional Investors do not subscribe to the whole remaining (10%) or in case the investment funds do not subscribe to the whole (90%) allocated to them.

Allocation of Offer Shares to Individual Investors

Each individual Investor shall subscribe for a minimum of (10) ten Offer Shares and a maximum of (250,000) two hundred and fifty thousand Offer Shares, while the minimum allocation shall be of ten (10) shares for each subscriber; with the balance of the Offer Shares - if available - allocated on a pro-rata basis according to the rate of Offer Shares applied for by the Subscriber to the total Shares applied for. In the event that the number of Subscribers exceeds (675,000) six hundred seventy-five thousand Subscribers, the Company will not guarantee the minimum allocation and the Offer Shares will be allocated equally between all Subscribers. If the number of Subscribers exceeds (6,750,000) six million seven hundred fifty thousand Subscribers, the allocation will be determined at the discretion of the Company and the bookrunner. Excess subscription monies, if any, will be refunded to the Subscribers without any charge or withholding by the Lead Manager or Receiving Agents. The announcement of the final allocation and refunds process shall be made no later than Monday 02/02/1436H (corresponding to 24/11/2014G). (Please refer to Section "Key Dates and Subscription Procedures", page xiv, and Section 17 of this Prospectus entitled "Subscription Conditions and Instructions").

The Receiving Agents will send notification letters to their Subscribers informing them of the final number of Offer Shares allocated together with the amounts to be refunded. The amounts will be refunded in whole without any deductions or fees and will be deposited in the Subscribers' accounts with the Receiving Agents. Subscribers should communicate with the branch of the Receiving Agents where they submitted their Subscription Application Form for any further information.

Times and Circumstances when Listing may be Suspended or Cancelled

1. The Authority may suspend or cancel the listing at any time as it deems fit, in any of the following circumstances:
   - The Authority considers it necessary for the protection of investors or the maintenance of an orderly market.
   - The issuer fails, in a manner which the Authority considers material, to comply with the Law and its Implementing Regulations, including a failure to pay any fees or penalties due to the Authority on time.
   - The liquidity requirements set out in paragraph (a) of Article 13 of the Listing Rules are no longer met.
   - The Authority considers that the issuer does not have a sufficient level of operations or sufficient assets to warrant the continued trading of its securities on the Exchange.
   - The Authority considers that the issuer or its business is no longer suitable to warrant the continued listing of its securities on the Exchange.
   - In the case of crossly-listed securities, the listing of the foreign issuer's securities has been suspended or cancelled elsewhere.
2. Where a suspension of an issuer continues for six (6) months, without the issuer taking appropriate action to resume its trading, the Authority may cancel the listing.

3. Upon an announcement of an extraordinary general assembly's approval on a capital increase resulting in a reverse takeover, the issuer's listing shall be cancelled. The issuer must submit a new application for registration and admission to listing in accordance with the Listing Rules.

Voluntary Cancellation or Suspension of a Listing

1. An issuer whose securities have been listed may not suspend or cancel the listing of its securities on the Exchange without the prior approval of the Authority. The issuer must provide the Authority with the following:
   - Specific reasons for the request for the suspension or cancellation.
   - A copy of the announcement described at paragraph (3) below.
   - A copy of the relevant documentation and a copy of each related communication to shareholders if the cancellation is to take place as a result of a takeover or other corporate action by the issuer.
2. Once approval from the Authority has been obtained for the cancellation of listing, an issuer must obtain the consent of its extraordinary general assembly.
3. Where a suspension or cancellation is made at the issuer's request, the issuer must announce as soon as possible the reason for the suspension or cancellation, the anticipated period of the suspension, the nature of the event resulting in the suspension or the cancellation which affects the issuer's activities.
4. The Authority may accept or reject the request for suspension or cancellation in its discretion.

Temporary Suspension

1. An issuer may request a temporary suspension upon the occurrence of an event that occurs during trading period which required immediate disclosure under the Listing Rules, where the issuer can maintain the confidentiality of this information until the end of the trading period.
2. To enable the Authority to assess the need for the temporary suspension and the appropriate duration of the suspension, the request must be supported by:
   - Specific reasons for the request for the temporary suspension and the duration of the requested suspension.
   - A copy of the announcement described at paragraph (3) below.
3. Where a temporary suspension is made at the issuer's request, the issuer must announce as soon as possible the reason for the suspension, the anticipated period of the suspension and the nature of the event resulting in the suspension which affects the issuer's activities.
4. The Authority may accept or reject the request for temporary suspension in its discretion.
5. The Authority may impose a temporary suspension without a request from the issuer where the Authority becomes aware of information or circumstances affecting the issuer's activities which the Authority considers would be likely to interrupt the operation of the Exchange or the protection of investors. An issuer whose securities are subject to temporary suspension must continue to comply with the Law and its Implementing Regulations.

Temporary suspension will be lifted following the elapse of the period referred to in the announcement specified in paragraph (3) below, unless the Authority decides otherwise.

Lifting of Suspension

1. Where a listing has been suspended, the lifting of such suspension will depend on:
   - The events which led to the suspension have been sufficiently remedied, and the suspension is no longer necessary for the protection of investors.
   - The issuer complying with any other conditions that the Authority may require.
2. The Authority may lift a suspension even where the issuer has not requested it.

Re-listing and Accepting Cancelled Securities

An issuer is required to submit a new application for registration and admission to listing in order to re-list securities which have been cancelled.

Approvals and Decisions under which the Shares are offered

Following are the decisions and approvals under which the Shares are offered:

1. The Company's Board of Directors decision dated 16/5/1435H (corresponding to 17/3/2014G), allowing the offering of Shares.
2. The Company's Extraordinary General Assembly decision dated 9/5/1435H (corresponding to 10/3/2014G), to raise its capital to (SAR 450,000,000) four hundred and fifty million Saudi Riyals through the capitalization of (SAR 70,000,000) seventy million Saudi Riyals of the balance of retained earnings, and (SAR 30,000,000) thirty million Saudi Riyals from the balance of statutory reserves.
3. CMA approval of the IPO dated 26/11/1435H (corresponding to 21/09/2014G).

Lock-up Period

Persons whose names are listed herein as owners in the Company may not dispose of any Shares for a period of twelve (12) months from the date on which trading of the Company's Shares commences on the Exchange. At the end of this Lock-up Period, they may dispose of their Shares only after obtaining prior CMA approval.

17.3 Declarations

- By completing and delivering the Subscription Application Form, the Applicant:
- Agrees to subscribe to the number of Shares specified in the Subscription Application Form;
- Warrants that he/she has read the Prospectus and understood all its content;
- Accepts the By-Laws of the Company and all subscription instructions and terms mentioned in the Prospectus and Subscribes in the Shares accordingly.
- Declares that neither himself nor any of his family members included in the Subscription Application Form has previously subscribed for Shares and the Company has the right to reject any or all duplicate applications.
- Accepts the number of shares allocated to him as per the Subscription Application Form and accepts all subscriptions instructions and provisions mentioned therein.
- Warrants not to cancel or amend the Subscription Application Form after submitting it to the Receiving Agent.
- Retains his/her right to sue the Company for damages caused by incorrect or incomplete information contained in the Prospectus, or by ignoring major information that should have been part of the Prospectus and could affect his/her decision to subscribe in the Shares.

17.4 Miscellaneous

The Subscription Application Form and all related conditions, provisions and undertakings shall be binding upon and inure to the benefit of the parties to the subscription and their respective successors, permitted assigns, executors, administrators and heirs; provided that neither the Subscription Application Form nor any of the rights, interests or obligations arising pursuant thereto shall be assigned and delegated by any of the parties to the subscription without the prior written consent of the other party.

These instructions, the conditions and the receipt of any Subscription Application Forms or related contracts shall be governed, construed and enforced in accordance with the laws of the Kingdom of Saudi Arabia.

The Prospectus has been released in both Arabic and English languages. In the event of a discrepancy between the English and the Arabic text, the Arabic text of the Prospectus shall prevail.

17.5 Shares' Record and Trading Arrangements

Tadawul shall keep a shareholders' record containing their names, nationalities, addresses, professions, the shares held by them and the amounts paid for these shares.

17.6 Listing and Trading

Trading in the Shares of the Company, shall begin after the completion of the allocation of shares, the registration of the Company in the Saudi Stock Exchange (Tadawul) and the inclusion of its name in the latter. Dates and times included in this Prospectus are indicative only and may be changed or extended subject to the approval of the CMA.

17.7 Saudi Stock Exchange

Tadawul was founded in 2001G as the successor to the Electronic Securities Information System. In 1990G, full electronic trading in KSA equities was introduced.

The market value of the Companies trading on Tadawul amounted to 8.9 trillion Saudi Riyals on 6/8/1435H (corresponding to 4/6/2014G) The number of the shareholding companies listed on Tadawul System until present is 159 companies.

17.8 Entering Orders

Trading in shares occurs on "Tadawul" system through an integrated mechanism covering the entire trading process from execution of the trade transaction through settlement thereof. Trading occurs on each business day of the week between 11:00 am to 3.30 pm from Sunday to Thursday, during which orders are executed. However, other than those times, orders can be entered, amended or deleted from 10:00 am to 11:00 am, additional bids may be entered starting 10:00 am for the session (which starts at 11:00 am). The said times change during the month of Ramadan and they are announced by the Tadawul Management. Tadawul performs the matching of orders based on the price and then time of entry. In general, market orders are executed first, followed by orders of limited price, and if several orders are entered at the same price, they are executed as they occur according to the time of entry. Tadawul distributes a comprehensive range of information through various channels, in particular the Tadawul website and Tadawul Information Link, which supplies trading data in real time to the information providers such as Reuters. Exchange transactions are settled on a T+0 basis the same day, meaning that shares ownership transfer takes place immediately after the trade transaction is executed. The Company is required to disclose all decisions and information that are important for the investors via Tadawul. Surveillance and monitoring of the Market is the responsibility of the Tadawul system in its automated capacity in which the market functions, to ensure fair trading and smooth flow of trading in shares.

The share issuing Company is required to disclose all decisions and information that are important to the investors via Tadawul. Tadawul bears the responsibility of monitoring the movement of automated trades passing through the market, in order to ensure that shares are traded in a fair and orderly fashion.

17.9 Trading of Company's Shares

It is expected that dealing in the shares will commence on Tadawul upon finalization of the allocation process. Tadawul will announce the same once determined. Dates and times included in this Prospectus are indicative only and may be changed or extended subject to the approval of the CMA.

Furthermore, Shares can only be traded after allocated Shares have been credited to Subscribers' accounts at Tadawul, the Company has been registered in Saudi Stock Exchange (Tadawul) and its Shares listed on the Saudi Shares Market. Pre-trading in shares is strictly prohibited and Subscribers entering into any pre-trading activities will be acting at their own risk. The Company shall have no legal responsibility in such an event.

18. Documents available for Inspection

The following documents will be available for inspection at the Company's head office in Dammam, Dammam Highway, First Industrial Zone, between 10:00 am and 4:00 pm from Sunday 02/01/1436H (corresponding to 26/10/2014G) until Monday 24/01/1436H (corresponding to 17/11/2014G) for a period of no less than 20 days prior to the end of the Offering Period:

- CMA approval to the IPO;
- Company's Board of Directos resolution dated 16/5/1435H (corresponding to 17/3/2014G), authorizing the sale of shares through an IPO;
- Acknowledgments and authorizations of the Selling Shareholders upon the sale and offer of a part of their Shares in Public Offering;
- Company's commercial registration certificate issued by the MoCI and other constituent documents;
- The Company's By-Laws and its amendments;
- Audited consolidated Financial Statements for the Company and its Subsidiaries as on 31 December 2011G, 2012G, 2013G and the first quarter of 2014G;
- Audited Financial Statements for Saudi Transformers Company for the years 2011G, 2012G, 2013G and the first quarter of 2014G;
- Audited Financial Statements for WESCOSA for the years 2011G, 2012G, 2013G and the first quarter of 2014G;
- Audited Financial Statements for Energy Transformers Company for the years 2012G, 2013G and the first quarter of 2014G;
- Audited Financial Statements for CG Arabia Company for the years 2012G, 2013G and the first quarter of 2014G;
- Letter of consent from the Legal Accountant Ernst &Young (Ernst & Young) for the inclusion of its name, logo and publications, if any, in the Prospectus and publication of the Auditors' Report;
- Letter of consent from the Financial Advisor (PriceWaterhouseCoopers) for the inclusion of its name, logo and publications, if any, in the Prospectus;
- Letter of consent from the Markets Studies Advisor ERAS Consulting Company (ERAS) for the inclusion of its name, logo and publications, in the Prospectus;
- Letter of consent from the Legal Advisor Abdul Aziz Al-Ajlan & Partners in association with Baker & McKenzie Ltd., on the inclusion of its name and logo in the Prospectus;
- Contracts and transactions with relevant parties;
- Financial Advisor's Evaluation Report;
- Market study prepared by the Market Consultant;
- Undertaking of the Founding Shareholders to cover the Zakat differences; and
- Working Capital Report.

19. Auditor's Report

Electrical Industries Company

(Closed Joint Stock Company) and its Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2014

Building a better working world

Ernst & Young & Co. (Public Accountants)
4th Floor – Juffali Building
PO Box 3795
Al Khobar 31952
Saudi Arabia
Registration Number: 45

Tel: +966 13 849 9500
Fax: +966 13 882 7224

www.ey.com

AUDITORS' REPORT TO THE SHAREHOLDERS OF ELECTRICAL INDUSTRIES COMPANY (CLOSED JOINT STOCK COMPANY) AND ITS SUBSIDIARIES

Scope of audit:

We have audited the accompanying consolidated balance sheet of Electrical Industries Company (A Saudi Closed Joint Stock Company) (the "Company") and its subsidiaries (collectively the "Group") as at 31 March 2014 and the related consolidated statements of income, cash flows and changes in shareholders' equity for the three months period then ended.These consolidated financial statements are the responsibility of the Company 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 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the consolidated financial statements.

Unqualified opinion:

In our opinion, the consolidated financial statements taken as a whole present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2014 and the consolidated results of it's operations and its cash flows for the three months period then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

Emphasis of a matter:

Without qualifying our opinion we draw attention to note 2 to these consolidated financial statements, which states that these have been prepared for submission to Capital Market Authority and the comparative figures are reported for comparison purposes only. We further emphasize that our opinion pertains to current period as such the comparative figures have not been audited.

for Ernst & Young

Abdulaziz Saud Alsubaibi
Certified Public Accountant
Registration No. 339

30 Rajab 1435H
29 May 2014
Alkhobar

Electrical Industries Company (Closed Joint Stock Company) and its Subsidiaries

CONSOLIDATED BALANCE SHEET

As at 31 March 2014

	Note	2014	2013
		SR	SR
			Unaudited
ASSETS			
CURRENT ASSETS			
Bank balances and cash		73,247,656	106,665,223
Accounts receivable and prepayments	4	476,900,846	429,714,318
Inventories	5	416,445,690	450,472,274
TOTAL CURRENT ASSETS		966,594,192	986,851,815
NON CURRENT ASSETS			
Investment in an associated company	6	3,427,612	3,963,375
Property, plant and equipment8	8	306,370,133	262,196,408
Intangible assets	9	8,656,078	7,231,471
TOTAL NON CURRENT ASSETS		318,453,823	273,391,254
TOTAL ASSETS		1,285,048,015	1,260,243,069
LIABILITIES, SHAREHOLDERS' EQUITY AND MINORITY INTEREST			
CURRENT LIABILITIES			
Accounts payable, notes payable and accruals	10	283,750,325	236,037,716
Warranty and liquidated damages provisions		18,095,293	18,109,882
Short term loans	11	71,801,338	367,450,010
Current portion of long term loans	12	30,850,000	-
Zakat provision	13	17,601,963	12,002,349
TOTAL CURRENT LIABILITIES		422,098,919	633,599,957

The attached notes 1 to 23 form part of these consolidated financial statements.

Electrical Industries Company (Closed Joint Stock Company) and its Subsidiaries

CONSOLIDATED BALANCE SHEET

As at 31 March 2014

	Note	2014	2013
		SR	SR
			Unaudited
NON CURRENT LIABILITIES			
Long term loans	12	212,859,000	24,000,000
Employees' terminal benefits		53,474,475	49,105,004
TOTAL NON CURRENT LIABILITIES		266,333,475	73,105,004
TOTAL LIABILITIES		688,432,394	706,704,961
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY			
Share capital	14	450,000,000	350,000,000
Statutory reserve		9,780,992	23,184,694
Retained earnings		101,483,308	114,848,386
Proposed dividends	15	35,000,000	54,000,000
		596,264,300	542,033,080
NON CONTROLLING INTEREST		351,321	11,505,028
TOTAL SHAREHOLDERS' EQUITY AND NON CONTROLLING INTEREST		596,615,621	553,538,108
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,285,048,015	1,260,243,069

The attached notes 1 to 23 form part of these consolidated financial statements.

Electrical Industries Company (Closed Joint Stock Company) and its Subsidiaries

CONSOLIDATED STATEMENT OF INCOME

Three months period ended 31 March 20141

	Note	2014	2013
		SR	SR
			Unaudited
Sales		346,751,926	305,080,218
Cost of sales		(267,126,770)	(229,991,918)
GROSS PROFIT		79,625,156	75,088,300
EXPENSES			
Selling and distribution	16	(12,981,932)	(9,088,894)
General and administration	17	(11,000,352)	(11,294,133)
INCOME FROM MAIN OPERATIONS		55,642,872	54,705,273
Other income/(expenses), net	18	1,933,241	(64,900)
Financial charges		(2,592,017)	(2,794,251)
INCOME BEFORE SHARE IN RESULTS OF AN ASSOCIATED COMPANY, NON CONTROLLING INTEREST AND ZAKAT		54,984,096	51,846,122
Share in results of an associated company	6	(406,312)	(415,755)
INCOME BEFORE NON CONTROLLING INTEREST AND ZAKAT		54,577,784	51,430,367
Non controlling interest		2,068,297	1,490,753
INCOME BEFORE ZAKAT		56,646,081	52,921,120
Zakat	13	(1,157,763)	(2,551,045)
NET INCOME FOR THE PERIOD		55,488,318	50,370,075
EARNINGS PER SHARE FOR THE PERIOD (SR/SHARE):			
Attributable to income from main operations		1.24	1.22
Attributable to net income		1.23	1.12
Weighted average of number of shares outstanding		45,000,000	45,000,000

The attached notes 1 to 23 form part of these consolidated financial statements.

Electrical Industries Company (Closed Joint Stock Company) and its Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS

Three months period ended 31 March 2014

	2014	2013
	SR	SR
		Unaudited
OPERATING ACTIVITIES		
Income before non controlling interest and zakat	54,577,784	51,430,367
Adjustments for:		
Depreciation	5,319,481	3,867,941
Amortisation	626,283	516,369
Employees' terminal benefits, net	(1,238,642)	990,568
Share in results of an associated company	406,312	415,755
Financial charges	2,592,017	2,794,251
Warranty and liquiditated damage provisions, net	(710,696)	(6,164,069)
	61,572,539	53,851,182
Changes in operating assets and liabilities		
Receivables	(50,340,330)	21,353,886
Inventories	16,857,803	30,159,238
Payables	29,561,307	(33,045,684)
Cash from operations	57,651,319	72,318,622
Financial charges paid	(2,592,017)	(2,794,251)
Net cash from operating activities	55,059,302	69,524,371
INVESTING ACTIVITY		
Purchase of property, plant and equipment	(7,305,802)	(20,180,833)
Net cash used in investing activity	(7,305,802)	(20,180,833)
FINANCING ACTIVITIES		
Non controlling interest	(453,384)	(123,662)
Net change in long term loans	1,519,000	3,509,258
Net change in short term loans	(11,198,662)	(3,185,000)
Net cash (used in)/from financing activities	(10,133,046)	200,596
INCREASE IN BANK BALANCES AND CASH	37,620,454	49,544,134
Bank balances and cash at the beginning of the period	35,627,202	57,121,089
BANK BALANCES AND CASH AT THE END OF THE PERIOD	73,247,656	106,665,223
NON-CASH TRANSACTION:		
Board of directors' remuneration	400,000	400,000

The attached notes 1 to 23 form part of these consolidated financial statements.

Electrical Industries Company (Closed Joint Stock Company) and its Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Three months period ended 31 March 2014

	Share capital	Proposed share capital increase	Statutory reserve	Retained earnings	Proposed dividends	Total
	SR	SR	SR	SR	SR	SR
Balance at 31 December 2012	350,000,000	-	23,184,694	64,878,311	54,000,000	492,063,005
Net income for the period (Unaudited)	-	-	-	50,370,075	-	50,370,075
Board of directors remuneration (Unaudited)	-	-	-	(400,000)	-	(400,000)
Balance at 31 March 2013 (Unaudited)	350,000,000	-	23,184,694	114,848,386	54,000,000	542,033,080
Balance at 31 December 2013	350,000,000	100,000,000	9,780,992	46,394,990	35,000,000	541,175,982
Net income for the period	-	-	-	55,488,318	-	55,488,318
Board of directors' remuneration	-	-	-	(400,000)	-	(400,000)
Share capital issued (note 14)	100,000,000	(100,000,000)	-	-	-	-
Balance at 31 March 2014	450,000,000	-	9,780,992	101,483,308	35,000,000	596,264,300

The attached notes 1 to 23 form part of these interim consolidated financial statements.

1- ACTIVITIES

Electrical Industries Company ("EIC" or the "Company") is A Saudi Closed Joint Stock Company formed in accordance with the Ministerial Resolution number 198/Q dated 25 Rajab 1428H, (corresponding 7 August 2007) and registered in Dammam, Kingdom of Saudi Arabia under Commercial Registration number 2050056359 dated 22 Shaban 1428H (corresponding to 4 September 2007). The Company is wholly owned by Saudi shareholders.

The Company has the following subsidiaries:

Subsidiary name	Effective shareholding %		Commercial Registration number
	2014	2013	
Wahah Electric Supply Company of Saudi Arabia Limited («WESCOSA»)	100	100	2050004182
The Saudi Transformer Company Limited («STC»)	100	100	2050006007
The Saudi Power Transformer Company Limited («SPTC»)	51	51	2050073249

The Company and its subsidiaries (collectively the «Group») are engaged in the manufacture, assembly, supply, repair and maintenance of transformers, compact substations and low voltage distribution panels, electrical distribution boards, cable trays, switch gears and other electrical equipment as well as provision of technical services relating to these activities.

2- BASIS OF PREPARATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries. Subsidiaries are consolidated from the date the Group obtains control until such time as control ceases. Acquisitions of subsidiaries are accounted for using the purchase method of accounting. The financial statements of subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-Group balances, transactions, income and expenses and profit and loss resulting from intra-Group transactions that are recognised as assets, are eliminated in full.

These consolidated financial statements have been prepared for the purpose of submission to the Capital Market Authority. The comparative figures have been reported in these financial statements for comparison purposes only as there is no statutory requirement to prepare and report the audited comparative figures for the Company.

3- SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. The significant accounting policies adopted are as follows:

Accounting convention

These consolidated financial statements are prepared under the historical cost convention.

Use of estimates

The preparation of 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period.

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 when there is no possibility of recovery.

Inventories

Inventories are stated at the lower of cost and market value. Costs are those expenses incurred in bringing each product to its present location and condition and calculated on the following basis:

Raw materials and spare parts	- purchase cost on a weighted average basis.
Work in progress and finished goods	- cost of direct materials and labour plus attributable overheads based on a normal level of activity on a weighted average basis.

Investments in an associated company

The Group's investment in an associated company is accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Freehold land and construction work in progress are not depreciated. The cost of other property, plant and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets.

Leasehold improvements are amortised on a straight-line basis over the shorter of the useful life of the improvement or the term of the lease.

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

Intangible assets

Costs which have long term future benefits i.e. licensed technology fee are treated as intangible assets and are carried at cost less accumulated amortisation and any impairment in value. The cost of intangible assets is amortised on a straight line basis over the estimated period of benefit.

Upfront fees in respect of Saudi Industrial Development Fund ("SIDF") is recongnised as an intangible asset and is amortised over the loan period using the straight line method.

Impairment of non current assets

The carrying values of non current assets 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 their value in use.

Impairment and uncollectibility of financial assets

An assessment is made at each consolidated balance sheet date to determine whether there is an objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the 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 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 the carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Accounts payable and accruals

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

Provisions

Provision is made 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.

Warranty and liquidated damages provisions

Warranty provisions and liquidated damages are provided for expected future costs to be incurred under warranty and other contractual commitments based on past experience.

Zakat

Zakat is provided in accordance with Saudi Arabian fiscal regulations. The provision is charged to the consolidated statement of income based on the period share of the estimated Zakat base as of year end. Additional amounts, if any, that may become due on the finalisation of an assessment are accounted for in the year in which the assessment is finalised.

Employees' terminal benefits

Provision is made for amounts payable under the employment contracts applicable to employees' accumulated periods of service at the consolidated balance sheet date.

Derivative financial instruments

The Group uses derivative financial instruments, such as commission rate swaps to hedge its commission rate risks. Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. Recognition of any resultant unrealised gain or loss depends on the nature of the item being hedged.

The fair values are generally obtained by reference to quoted market prices, discounted cash flow models and other pricing models, as appropriate.

The change in the fair value of a hedging derivative is recognised in the consolidated statement of income under finance charges.

Sales

Sales represent the invoiced value of goods supplied and services rendered by the Group upon delivery to customers, net of deductions. Service revenue related to change orders is recognised and invoiced upon acceptance of the related services by customers.

Expenses

Selling and distribution expenses are those that specifically relate to salesmen, royalties, warranties, warehousing and delivery vehicles as well as provision for doubtful debts. All other expenses other than cost of sales, financial charges and other expenses are classified as general and administration expenses.

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 consolidated balance sheet date. All differences are taken to the consolidated statement of income.

Segmental 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 (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

Earnings per share

Earnings per share attributable to main operations is calculated by dividing consolidated income from main operations for the period by the weighted average of number of shares outstanding during the period.

Basic earnings per share attributable to net income is calculated by dividing the consolidated net income for the period by the weighted average of number of shares outstanding during the period.

Operating leases

Rentals payable under operating leases are charged to the consolidated statement of income on a straight line basis over the term of the operating lease.

Fair values

The fair value of commission-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

4- ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2014	2013
	SR	SR
		Unaudited
Trade accounts receivable	431,150,753	389,227,408
Advances to suppliers	21,719,390	19,572,028
Prepaid expenses	6,532,441	7,536,995
Amounts due from related parties (note 7)	6,210,739	5,285,603
Amounts due from shareholders	4,655,977	4,055,142
Other	18,885,762	17,125,359
	489,155,062	442,802,535
Less: allowance for doubtful debts	(12,254,216)	(13,088,217)
	476,900,846	429,714,318

Included in the trade accounts receivable balances amount of SR 223.2 million (2013: SR 105.7 million) which are due from government and quasi-government institutions of which approximately SR 10.4 million (2013: SR 10.2 million) is more than one year old.

The balance of SR 4.6 million (2013: SR 4.1 million) represents recoverable cost from the shareholders in respect of the initial public offering.

Included in the advances to suppliers balances an amount of SR 11.1 million (2013: SR 15.6 million), which are made against acquisitions of property, plant and equipment.

Movement in the allowance for doubtful debts is as follows:

	2014	2013
	SR	SR
		Unaudited
Balance at the beginning of the period	11,653,665	14,831,471
Charged/(reversed) during the peirod	600,551	(1,743,254)
Balance at the end of the period	12,254,216	13,088,217

5- INVENTORIES

	2014	2013
	SR	SR
		Unaudited
Raw materials	265,910,387	270,991,265
Work in progress	77,245,190	77,802,864
Goods in transit	52,521,446	57,226,961
Finished goods	31,243,585	44,100,781
Spares parts and consumables	14,236,959	14,026,799
	441,157,567	464,148,670
Less: provision for slow moving inventory items	(24,711,877)	(13,676,396)
	416,445,690	450,472,274

Movement in slow moving inventory items is as follows:

	2014	2013
	SR	SR
		Unaudited
Balance at the beginning of the period	19,711,877	16,856,494
Charged/(reversal) during the period	5,000,000	(3,180,098)
Balance at the end of the period	24,711,877	13,676,396

6- INVESTMENT IN AN ASSOCIATED COMPANY

This represents 49% equity share in CG Power Systems of Saudi Arabia, a limited Liability company registered in the Kingdom of Saudi Arabia. The company is formed to engage in the installation, maintenance, operation, services and distribution of high and medium voltage transformers.

The movement in the investment is as follows:

	2014	2013
	SR	SR
		Unaudited
At the beginning of the period	3,833,924	4,379,130
Share in results for the period	(406,312)	(415,755)
At the end of the period	3,427,612	3,963,375

7- RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent associated company, major shareholders and key management personnel including entities controlled, jointly controlled or influenced by such parties. The following are the details of the major related party transactions occured during the period along with the resulting balances:

Related party	Nature of transactions	Amount of transactions		Balances	
		2014	2013	2014	2013
		SR	SR	SR	SR Unaudited
Amounts due form related parties presented under note 4:					
Al Toukhi Company for Industrial	Sales/Services rendered	2,204,800	3,910,000	1,321,600	3,870,500
Al-Quraishi Electric Services of Saudi Arabia (AQESA)	Sales/Services rendered	1,906,299	26,100	4,748,518	1,332,482
CG Power Systems Saudi Arabia	Services rendered	-	-	140,621	82,621
				6,210,739	5,285,603
Amounts due to related parties presented under note 10:					
Ali Zaid Al Quraishi and Brothers Company	Services rendered	-	-	-	20,665
CG Power Systems of Saudi Arabia	Services rendered	5,884,519	6,405,559	5,888,504	6,405,559
CG Power Systems of Belgium	Services rendered	4,881,619	7,320,819	5,032,947	7,471,943
				10,921,451	13,898,167

Prices and terms of payment for the above transactions are approved by the management.

8- PROPERTY, PLANT AND EQUIPMENT

The estimated useful lives of the assets for the calculation of depreciation are as follows:

Buildings on leasehold land	8 to 33 years
leasehold improvements	5 years
Plant and machinery	3 to 12 years
Furniture and equipment	3 to 10 years
Motor vehicles	4 years

	Freehold land	Buildings on leased land and leasehold improvements	Plant and machinery	Furniture equipment and motor vehicles	Construction work in progress	Total 2014	Total 2013
	SR	SR	SR	SR	SR	SR	SR
							Unaudited
Cost:							
At the beginning of the period	40,282,163	187,432,925	199,033,149	36,735,695	38,894,940	502,378,872	429,535,240
Additions	-	34,000	150,931	10,078	7,110,793	7,305,802	20,180,833
Disposals	-	-	-	-	-	-	(168,000)
Transfers	-	80,130	1,561,582	875,438	(2,517,150)	-	-
At the end of the period	40,282,163	187,547,055	200,745,662	37,621,211	43,488,583	509,684,674	449,548,073
Depreciation:							
At the beginning of the period	-	52,469,313	115,973,315	29,552,432	-	197,995,060	183,651,724
Charge for the period	-	1,682,697	2,771,942	864,842	-	5,319,481	3,867,941
Disposals	-	-	-	-	-	-	(168,000)
At the end of the period	-	54,152,010	118,745,257	30,417,274	-	203,314,541	187,351,665
Net book amounts:							
At 31 March 2014	40,282,163	133,395,045	82,000,405	7,203,937	43,488,583	306,370,133	
At 31 March 2013 (Unaudited)	13,375,403	82,044,188	34,974,993	5,575,977	126,225,847		262,196,408

Portion of the buildings and construction work in progress are constructed on three separate plots of land leased from the Saudi Organization For Industrial Estate And Technology Zones for an initial period of 25 years commenced on 26 Dhu Al-Hijjah 1400H (corresponding to 4 November 1980). The Group has the option of renewing the lease agreements on expiry of the initial lease term. The lease agreements have been renewed for additional period of 25 years.

Construction work in progress comprises mainly of construction of a plant building, in addition for the cost of machineries, equipment which have not been commissioned yet.

One of the Group's land valuing SR 6.3 million (2013: SR 6.3 million) is held in the name of an ex-eomployee the Group.

9- INTANGIBLE ASSETS

The estimated useful lives of the assets for the calculation of amortisation are as follows:

Software	5 years
Licensed technology fee	5 years
Prepaid financial charges	10 years

	Software	Licensed technology fee	Prepaid financial charges	Total	Total
	2014	2014	2014	2014	2013
	SR	SR	SR	SR	SR
					Unaudited
Cost:					
At the beginning of the period	6,054,891	4,500,000	4,000,000	14,554,891	10,554,891
At the end of the period	6,054,891	4,500,000	4,000,000	14,554,891	10,554,891
Amortisation:					
At the beginning of the period	3,972,530	900,000	400,000	5,272,530	2,807,051
charge for the period	301,283	225,000	100,000	626,283	516,369
At the end of the period	4,273,813	1,125,000	500,000	5,898,813	3,323,420
Net book amounts:					
At 31 March 2014	1,781,078	3,375,000	3,500,000	8,656,078	
At 31 March 2013 (Unaudited)	2,731,471	4,500,000	-		7,231,471

Prepaid financial charges are related to upfront fees paid in respect of SIDF loan.

10- ACCOUNTS PAYABLE, NOTES PAYABLE AND ACCRUALS

	2014	2013
	SR	SR
		Unaudited
Trade accounts payable	120,446,385	111,175,661
Notes payables	49,151,300	16,870,163
Advances from customers	35,471,614	45,335,031
Amounts due to related parties (note 7)	10,921,451	13,898,167
Accrued expenses and other payables	67,759,575	48,758,694
	283,750,325	236,037,716

The notes payable are secured by corporate guarantees and carry commission at normal commercial rates.

11- SHORT TERM LOANS

The short term loans were obtained from local commercial banks for meeting working capital requirements. The facilities are secured by corporate guarantees. The facilities carry borrowing costs at normal commercial rates.

12- TERM LOANS

	2014	2013
	SR	SR
		Unaudited
Murabaha loans from commercial banks	195,750,000	24,000,000
SIDF loan	47,959,000	-
	243,709,000	24,000,000
Less: current portion	(30,850,000)	-
	212,859,000	24,000,000

During the fiscal year ended 31 December 2013, the Group obtained 5 long term Murabaha loans from four local commercial banks to finance the capital projects and letter of credit payments. The loans carry financial cost at commercial rates and are repayable in unequal quarterly installments, with final installments due in 2018. The loans are secured by corporate guarantees.

The Group also obtained long term loan from the SIDF. The loan is free of financial cost but carry appraisal fees. The Group has paid appraisal fees in advance amounting to SR 4 million. The loan is repayable over 15 semi annual installments with various amounts with the last installment due in 2021.

The installments due during the 12 months period after the consolidated balance sheet date are presented under current liabilities in the consolidated balance sheet.

13- ZAKAT

Charge for the period

The zakat charge consists of:

	2014	2013
	SR	SR
		Unaudited
Current period provision	5,634,503	2,551,045
Adjustment for previous years	(4,476,740)	-
Charge for the period	1,157,763	2,551,045

Movement in provision

The movement in the zakat provision was as follows:

	2014	2013
	SR	SR
		Unaudited
At the beginning of the period	16,444,200	9,451,304
Provided during the period	1,157,763	2,551,045
At the end of theperiod	17,601,963	12,002,349

Status of assessments

Electrical Industries Company (EIC)

Zakat declarations for the period ended 31 December 2008 and the years from 2009 to 2012 are under the Department of Zakat and Income Tax ("DZIT") review. Effective from the year 2013, EIC started to file combined zakat declaration for EIC and its wholly owned subsidiaries i.e STC and WESCOSA.

The Saudi Transformers Company Limited

The DZIT has raised its assessment for the years 2000 through 2002 claiming additional zakat liability of SR 4 million, which has been reduced following the Higher Appeal Committee ("HAC") decision to SR 3.6 million. The company has accepted the HAC's decission. The assessments for the years 2003 and 2004, have been raised by the DZIT claiming additional liability of SR 1 million. The company filed an appeal against the assessment. The assessments for the years 2005 through 2012 are still under the DZIT's review.

Wahah Electric Supply Company of Saudi Arabia Limited

Zakat assessments have been agreed with DZIT up to 2005.The assessments for the years 2006 through 2012 have not yet been raised by the DZIT.

Saudi Power Transformers Company Limited

Zakat and income tax declarations for the period ended 31 December 2011 and the year ended 31 December 2012 have been filed with the DZIT and still under their review.

14- SHARE CAPITAL

Share capital is divided into 45,000,000 shares (2013: 35,000,000 shares) of SR 10 each.

On 13 Safar 1435H corresponding to 16 December 2013, the Board of Directors recommended to increase the share capital from SR 350 million to SR 450 million by issuing 10 million additional shares of SR 10 per share. The share capital increase was to be made by utilizing SR 70 million and SR 30 million from retained earnings and statutory reserve, respectively. The shareholders approved the proposed increase in their meeting held on 14 Jumada Awal 1435H corresponding to 15 March 2014. The legal formalities have also been completed during the period.

15- DIVIDENDS

The Board of Directors in their meeting held on 13 Safar 1435H corresponding to 16 December 2013, proposed to distribute cash dividends of SR 1 per share totaling SR 35 million representing 10% of the share capital to the shareholders. The shareholders approved the proposed dividend in their meeting held on 14 Jumada Awal 1435H corresponding to 15 April 2014.

The Board of Directors in their meeting held on 18 Rajab 1435H corresponding to 19 May 2014, proposed to distribute cash dividends of SR 50 million.

16- SELLING AND DISTRIBUTION EXPENSES

	2014	2013
	SR	SR
		Unaudited
Employees cost	3,766,151	3,088,729
Royalties	2,654,428	2,529,960
Freight out	2,201,588	2,330,487
Warranty	597,597	556,587
Advertising and promotion	391,166	578,254
Provision/(reversal) of allowance for doubtful debts	600,551	(1,743,254)
Other	2,770,451	1,748,131
	12,981,932	9,088,894

17- GENERAL AND ADMINISTRATION EXPENSES

	2014	2013
	SR	SR
		Unaudited
Employees cost	6,323,575	6,633,909
Office expenses	1,655,161	2,372,798
Depreciation	2,109,538	738,112
Other	912,078	1,549,314
	11,000,352	11,294,133

18- OTHER INCOME, NET

	2014	2013
	SR	SR
		Unaudited
Other	1,929,068	(64,900)
Financial income	4,173	-
	1,933,241	(64,900)

19- COMMITMENTS

The Group entered into forward contracts to purchase certain materials based on their anticipated requirements. Such contracts amounted to SR 74.3 million at 31 March 2014 (31 March 2013: SR 81.4 million).

The directors authorised future capital expenditures amounting to SR 79 million (2013: SR 74.7 million), in respect of machineries.

20- CONTINGENT LIABILITIES

The Group's bankers have issued bid and performance letter of guarantees, on behalf of the Group, amounting to SR 194.8 million (2013: SR 161.3 million).

21- SEGMENTAL INFORMATION

Consistent with the Group's internal reporting process, business segments have been approved by the management in respect for its activities. The Group is recognized into the following main business segments:

	Manufacturing	Services	Total
	SR	SR	SR
As of 31 March 2014:			
Sales	330,072,601	16,679,325	346,751,926
Income from main operations	46,408,204	9,234,668	55,642,872
Net income for the period	46,904,929	8,583,389	55,488,318
Property, plant and equipment, net book value	302,650,675	3,719,458	306,370,133
Total assets	1,248,531,960	36,516,055	1,285,048,015
As of 31 March 2013: (Unaudited)			
Sales	293,583,277	11,496,941	305,080,218
Income from main operations	47,578,728	7,126,545	54,705,273
Net income for the period	43,897,865	6,472,210	50,370,075
Property, plant and equipment, net book value	260,955,430	1,240,978	262,196,408
Total assets	1,223,641,196	36,601,873	1,260,243,069

The Group has the following main geographical segments:

31 March 2014:	Local	Export	Total
	SR	SR	SR
Gross trade receivables	427,404,423	3,746,330	431,150,753
Sales	344,702,662	2,049,264	346,751,926
Cost of sales	(265,668,270)	(1,458,500)	(267,126,770)
Gross profit	79,034,392	590,764	79,625,156

31 March 2013: (Unaudited)	Local	Export	Total
	SR	SR	SR
Gross trade receivables	334,964,175	54,263,233	389,227,408
Sales	266,983,484	38,096,734	305,080,218
Cost of sale	(196,883,858)	(33,108,060)	(229,991,918)
Gross profit	70,099,626	4,988,674	75,088,300

22- RISK MANAGEMENT

Commission rate risk

Commission rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market commission rates. The Group is subject to commission rate risk on its commission bearing assets and liabilities, including short term and term loans. The Group manages its commission rate risk by maintaining floating rate term loans at an acceptable level as well as designating certain commission rate swap agreements as hedges against the exposure to changes in the commission rates.

Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other parry to incur a financial loss. The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables.

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 inability to sell a financial asset quickly at an amount close to its fair value. The Group limits its liquidity risk by ensuring that bank facilities are available. The Group's terms of sales require amounts to be paid within 30 to 60 days of the date of sale. Trade payables are normally settled within 60 to 90 days of the date of purchase.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group is subject to fluctuations in foreign exchange rates in the normal course of its business. The Group did not undertake significant transactions in currencies other than Saudi Riyals, Kuwaiti Dinar, US Dollars which is pegged against Saudi Riyals and Euros, during the period.

23- FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. The Group's financial assets consist of bank balances and cash, and accounts receivable, its financial liabilities consist of short and long term loans, accounts payable and notes payable.

The fair values of financial instruments at the consolidated balance sheet date are not materially different from their carrying values.

Electrical Industries Company (A Saudi Closed Joint Stock Company) and its subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2013

Building a better working world

Ernst & Young & Co. (Public Accountants)
4th Floor – Juffali Building
PO Box 3795
Al Khobar 31952
Saudi Arabia
Registration Number: 45

Tel: +966 13 849 9500
Fax: +966 13 882 7224

www.ey.com

AUDITORS' REPORT TO THE SHAREHOLDERS OF ELECTRICAL INDUSTRIES COMPANY (A SAUDI CLOSED JOINT STOCK COMPANY) AND ITS SUBSIDIARIES

Scope of audit:

We have audited the accompanying consolidated balance sheet of Electrical Industries Company (A Saudi Closed Joint Stock Company) (the "Company") and its subsidiaries (the "Group") as at 31 December 2013 and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended.These consolidated financial statements are the responsibility of the Company and have been prepared by them in accordance with the provisions of Article 123 of the Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the consolidated financial statements.

Unqualified opinion:

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

i) present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2013 and the consolidated results of it's operations and its cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

ii) comply with the requirements of the Regulations for Companies and the Company's by-laws in so far as they affect the preparation and presentation of the consolidated financial statements.

for Ernst & Young

Abdulaziz Saud Alshubaibi
Certified Public Accountant
Registration No. 339

25 Rabi' II 1435H
25 February 2014
Alkhobar

Electrical Industries Company (A Saudi Closed Joint Stock Company) and its subsidiaries

CONSOLIDATED BALANCE SHEET

As at 31 December 2013

	Note	2013	2012
		SR	SR
ASSETS			
CURRENT ASSETS			
Bank balances and cash		35,627,202	57,121,089
Accounts receivable and prepayments	4	426,560,516	451,068,204
Inventories5		433,303,493	480,631,512
TOTAL CURRENT ASSETS		895,491,211	988,820,805
NON CURRENT ASSETS			
Investment in an associated company	6	3,833,924	4,379,130
Property, plant and equipment	8	306,466,173	249,131,356
Intangible assets	9	7,200,000	4,500,000
TOTAL NON CURRENT ASSETS		317,500,097	258,010,486
TOTAL ASSETS		1,212,991,308	1,246,831,291
LIABILITIES, SHAREHOLDERS' EQUITY AND MINORITY INTEREST			
CURRENT LIABILITIES			
Accounts payable, notes payable and accruals	10	261,600,049	268,683,400
Warranty and liquidated damages provisions		10,994,958	24,273,951
Short term loans	11	83,000,000	363,940,752
Current portion of long term loans	12	22,925,000	-
Zakat provision	13	16,444,200	9,451,304
TOTAL CURRENT LIABILITIES		394,964,207	666,349,407
NON CURRENT LIABILITIES			
Long term loans	12	219,265,000	27,185,000
Employees' terminal benefits		54,713,117	48,114,436
TOTAL NON CURRENT LIABILITIES		273,978,117	75,299,436
TOTAL LIABILITIES		668,942,324	741,648,843

The attached notes 1 to 26 form part of these consolidated financial statements.

Electrical Industries Company (A Saudi Closed Joint Stock Company) and its subsidiaries

CONSOLIDATED BALANCE SHEET

As at 31 December 2013

	Note	2013	2012
		SR	SR
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY			
Share capital	14	350,000,000	350,000,000
Proposed share capital increase	15	100,000,000	-
Statutory reserve		9,780,992	23,184,694
Retained earnings		46,394,990	64,878,311
Proposed dividends	16	35,000,000	54,000,000
		541,175,982	492,063,005
MINORITY INTEREST		2,873,002	13,119,443
TOTAL SHAREHOLDERS' EQUITY AND MINORITY INTEREST		544,048,984	505,182,448
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,212,991,308	1,246,831,291

The attached notes 1 to 26 form part of these consolidated financial statements.

Electrical Industries Company (A Saudi Closed Joint Stock Company) and its subsidiaries

CONSOLIDATED STATEMENT OF INCOME

Year ended 31 December 2013

	Note	2013	2012
		SR	SR
Sales		1,285,258,267	1,062,700,438
Cost of sales		(1,019,000,217)	(863,153,064)
GROSS PROFIT		266,258,050	199,547,374
EXPENSES			
Selling and distribution	17	(38,582,833)	(41,070,737)
General and administration	18	(46,517,025)	(35,735,601)
INCOME FROM MAIN OPERATIONS		181,158,192	122,741,036
Other income, net	19	4,378,613	1,547,905
Financial charges		(11,179,805)	(8,175,312)
INCOME BEFORE SHARE IN RESULTS OF AN ASSOCIATED COMPANY, MINORITY INTEREST AND ZAKAT		174,357,000	116,113,629
Share in results of an associated company	6	(545,206)	(965,776)
INCOME BEFORE MINORITY INTEREST AND ZAKAT		173,811,794	115,147,853
Minority interest		10,122,780	1,329,548
INCOME BEFORE ZAKAT		183,934,574	116,477,401
Zakat13		(17,971,597)	(8,328,612)
NET INCOME FOR THE YEAR		165,962,977	108,148,789
EARNINGS PER SHARE FOR THE YEAR (SR/SHARE):			
Attributable to income from main operations		5.18	3.51
Attributable to net income		4.74	3.09
Weighted average of number of shares outstanding		35,000,000	35,000,000

The attached notes 1 to 26 form part of these consolidated financial statements.

Electrical Industries Company (A Saudi Closed Joint Stock Company) and its subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	2013	2012
	SR	SR
OPERATING ACTIVITIES		
Income before minority interest and zakat	173,811,794	115,147,853
Adjustments for:		
Depreciation	19,016,473	14,969,715
Amortisation	1,300,000	-
Employees' terminal benefits, net	6,598,681	4,695,546
Share in results of an associated company	545,206	965,776
Financial charges	11,179,805	8,175,312
Loss on disposal of property, plant and equipment	130,923	6
Warranty and liquiditated damage provisions	(13,278,993)	1,921,917
	199,303,889	145,876,125
Changes in operating assets and liabilities		
Receivables	24,507,688	(120,723,728)
Inventories	47,328,019	(52,861,436)
Payables	(7,083,351)	69,137,259
Cash from operations	264,056,245	41,428,220
Financial charges paid	(11,179,805)	(8,175,312)
Zakat paid	(10,978,701)	(11,621,668)
Net cash from operating activities	241,897,739	21,631,240
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(76,482,213)	(119,855,753)
Intangible assets	(4,000,000)	-
Net cash used in investing activities	(80,482,213)	(119,855,753)

The attached notes 1 to 26 form part of these consolidated financial statements.

Electrical Industries Company (A Saudi Closed Joint Stock Company) and its subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	2013	2012
	SR	SR
FINANCING ACTIVITIES		
Minority interest	(123,661)	3,773,001
Proceeds of long term loans	215,005,000	-
Board of directors' remuneration paid	(1,600,000)	(863,559)
Net change in short term loans	(280,940,752)	258,500,064
Dividends paid	(115,250,000)	(130,000,000)
Net cash (used in)/from financing activities	(182,909,413)	131,409,506
(DECREASE)/INCREASE IN BANK BALANCES AND CASH	(21,493,887)	33,184,993
Bank balances and cash at the beginning of the year	57,121,089	23,936,096
BANK BALANCES AND CASH AT THE END OF THE YEAR	35,627,202	57,121,089
NON-CASH TRANSACTIONS:		
Proposed share capital increase	100,000,000	-
Board of directors' remuneration	1,600,000	1,600,000
Dividends declared	-	54,000,000

The attached notes 1 to 26 form part of these consolidated financial statements.

Electrical Industries Company (A Saudi Closed Joint Stock Company) and its subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Year ended 31 December 2013

	Share capital	Proposed share capital increase	Statutory reserve	Retained earnings	Proposed dividends	Total
	SR	SR	SR	SR	SR	SR
Balance at 31 December 2011	350,000,000	-	12,369,815	24,007,960	130,000,000	516,377,775
Net income for the year	-	-	-	108,148,789	-	108,148,789
Transfer to statutory reserve	-	-	10,814,879	(10,814,879)	-	-
Board of directors remuneration	-	-	-	(2,463,559)	-	(2,463,559)
Dividends paid	-	-	-	-	(130,000,000)	(130,000,000)
Proposed dividends (note16)	-	-	-	(54,000,000)	54,000,000	-
Balance at 31 December 2012	350,000,000	-	23,184,694	64,878,311	54,000,000	492,063,005
Net income for the year	-	-	-	165,962,977	-	165,962,977
Proposed share capital increase	-	100,000,000	(30,000,000)	(70,000,000)	-	-
Board of directors' remuneration	-	-	-	(1,600,000)	-	(1,600,000)
Transfer to statutory reserve	-	-	16,596,298	(16,596,298)	-	-
Dividends paid(note 16)	-	-	-	(61,250,000)	(54,000,000)	(115,250,000)
Proposed dividend (note16)	-	-	-	(35,000,000)	35,000,000	-
Balance at 31 December 2013	350,000,000	100,000,000	9,780,992	46,394,990	35,000,000	541,175,982

The attached notes 1 to 26 form part of these consolidated financial statements.

1- ACTIVITIES

Electrical Industries Company ("EIC" or the "Company") is A Saudi Closed Joint Stock Company formed in accordance with the Ministerial Resolution number 198/Q dated 25 Rajab 1428H, (corresponding 7 August 2007) and registered in Dammam, Kingdom of Saudi Arabia under Commercial Registration number 2050056359 dated 22 Shaban 1428H (corresponding to 4 September 2007). The Company is wholly owned by Saudi shareholders.

The Company has the following subsidiaries:

Subsidiary name	Effective shareholding %		Commercial Registration number
	2013	2012	
Wahah Electric Supply Company of Saudi Arabia Limited («WESCOSA»)	100	100	2050004182
The Saudi Transformer Company Limited («STC»)	100	100	2050006007
The Saudi Power Transformer Company Limited («SPTC»)	51	51	2050073249

The Company and its subsidiaries collectively (the «Group») are engaged in the manufacture, assembly, supply, repair and maintenance of transformers, compact substations and low voltage distribution panels, electrical distribution boards, cable trays, switch gears and other electrical equipment as well as provision of technical services relating to these activities.

2- BASIS OF PREPARATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries. Subsidiaries are consolidated from the date the Company obtains control until such time as control ceases. Acquisitions of subsidiaries are accounted for using the purchase method of accounting. The financial statements of subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-Group balances, transactions, income and expenses and profit and loss resulting from intra-Group transactions that are recognised as assets, are eliminated in full.

3- SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. The significant accounting policies adopted are as follows:

Accounting convention

These consolidated financial statements are prepared under the historical cost convention modified to include the measurement of derivative financial instruments at fair value.

Use of estimates

The preparation of 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period.

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 when there is no possibility of recovery.

Inventories

Inventories are stated at the lower of cost and market value. Costs are those expenses incurred in bringing each product to its present location and condition and calculated on the following basis:

Raw materials and spare parts	- purchase cost on a weighted average basis.
Work in progress and finished goods	- cost of direct materials and labour plus attributable overheads based on a normal level of activity on a weighted average basis.

Investments in an associated company

The Group's investment in an associated company is accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Freehold land and construction work in progress are not depreciated. The cost of other property, plant and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets.

Leasehold improvements are amortised on a straight-line basis over the shorter of the useful life of the improvement or the term of the lease.

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

Intangible assets

Costs which have long term future benefits i.e. licensed technology fee are treated as intangible assets and are carried at cost less accumulated amortisation and any impairment in value. The cost of intangible assets is amortised on a straight line basis over the estimated period of benefit.

Upfront fees in respect of Saudi Industrial Development Fund (SIDF) is recongnised as an intangible asset and is amortised over the loan period using the straight line method.

Impairment of non current assets

The carrying values of non current assets 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 their value in use.

Impairment and uncollectibility of financial assets

An assessment is made at each consolidated balance sheet date to determine whether there is an objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the 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 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 the carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Accounts payable and accruals

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

Provisions

Provision is made 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.

Warranty and liquidated damages provisions

Warranty provisions and liquidated damages are provided for expected future costs to be incurred under warranty and other contractual commitments based on past experience.

Zakat

Zakat is provided in accordance with Saudi Arabian fiscal regulations. The provision is charged to the consolidated statement of income. Additional amounts, if any, that may become due on the finalisation of an assessment are accounted for in the year in which the assessment is finalised.

Employees' terminal benefits

Provision is made for amounts payable under the employment contracts applicable to employees' accumulated periods of service at the consolidated balance sheet date.

Statutory reserve

In accordance with Saudi Arabian Regulations for Companies, the Company must set aside 10% of its consolidated net income in each year until it has built up a reserve equal to one half of the share capital. The reserve is not available for distribution.

Derivative financial instruments

The Group uses derivative financial instruments, such as commission rate swaps to hedge its commission rate risks. Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. Recognition of any resultant unrealised gain or loss depends on the nature of the item being hedged.

The fair values are generally obtained by reference to quoted market prices, discounted cash flow models and other pricing models, as appropriate.

The change in the fair value of a hedging derivative is recognised in the consolidated statement of income under finance charges.

Sales

Sales represent the invoiced value of goods supplied and services rendered by the Group during the year, net of deductions.

Expenses

Selling and distribution expenses are those that specifically relate to salesmen, royalties, warranties, warehousing and delivery vehicles as well as provision for doubtful debts. All other expenses other than cost of sales and financial charges are classified as general and administration expenses.

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 consolidated balance sheet date. All differences are taken to the consolidated statement of income.

Segmental 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 (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

Earnings per share

Earnings per share attributable to main operations is calculated by dividing consolidated income from main operations for the year by the weighted average of number of shares outstanding during the year.

Basic earnings per share attributable to net income is calculated by dividing the net consolidated income for the year by the weighted average of number of shares outstanding during the year.

Operating leases

Rentals payable under operating leases are charged to the consolidated statement of income on a straight line basis over the term of the operating lease.

Fair values

The fair value of commission-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

4- ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2013	2012
	SR	SR
Trade accounts receivable	386,168,442	420,928,467
Advances to suppliers	20,593,347	21,002,492
Prepaid expenses	7,908,855	5,181,881
Amounts due from related parties (note 7)	7,563,431	3,198,349
Amounts due from shareholders	4,446,580	3,547,094
Other	11,533,526	12,041,392
	438,214,181	465,899,675
Less: allowance for doubtful debts	(11,653,665)	(14,831,471)
	426,560,516	451,068,204

Included in trade accounts receivable balances amounting to SR 168.9 million (2012: SR 101.6 million) which are due from government and quasi-government institutions of which approximately SR 10.4 million (2012: SR 11.5 million) is more than one year old.

The balance of SR 4.4 million (2012: SR 3.5 million) represents recoverable cost from the shareholders in respect of the initial public offering.

Included in advances to supplier amounts totaling SR 6.9 million (2012: SR 6.6 million), which are made against acquisitions of property, plant and equipment.

5- INVENTORIES

	2013	2012
	SR	SR
Raw materials	288,543,155	269,803,880
Goods in transit	65,616,113	64,117,092
Work in progress	62,441,169	102,810,633
Finished goods	21,818,746	47,243,502
Spares parts and consumables	14,596,187	13,512,899
	453,015,370	497,488,006
Less: provision for slow moving inventory items	(19,711,877)	(16,856,494)
	433,303,493	480,631,512

6- INVESTMENT IN AN ASSOCIATED COMPANY

This represents 49% equity share in CG Power Systems of Saudi Arabia, a limited Liability company registered in the Kingdom of Saudi Arabia. The company was formed to engage in the installation, maintenance, operation, services and distribution of high and medium voltage transformers.

The movement in the investment was as follows:

	2013	2012
	SR	SR
At the beginning of the year	4,379,130	5,344,906
Share in results for the year	(545,206)	(965,776)
At the end of the year	3,833,924	4,379,130

7- RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent shareholders, affiliates and key management personnel including the entities controlled, jointly controlled or influenced by such parties. The following are details of the major related party transactions occured during the year along with the resulting balances:

Related party	Nature of transactions	Amount of transactions		Balances	
		2013	2012	2013	2012
		SR	SR	SR	SR
Amounts due form related parties:					
Al Toukhi Company for Industrial	Sales/Services rendered	15,969,591	1,108,937	3,683,690	694,501
Al-Quraishi Electric Services of Saudi Arabia (AQESA)	Sales/Services rendered	3,392,485	1,410,843	3,797,118	1,630,695
CG Power Systems Saudi Arabia	Services rendered	-	2,710	82,621	873,153
				7,563,429	3,198,349
Amounts due to related parties:					
CG Power Systems of Saudi Arabia	Services rendered	7,029,155	-	1,039,426	-
CG Power Systems of Belgium	Services rendered	7,259,674	6,976,803	10,952,322	7,002,762
				11,991,748	7,002,762

During the year, the Group has paid SR 900,000 (2012: SR 900,000) as compensation for services to one of the shareholders.

Prices and terms of payment for the above transactions are approved by the management.

Amounts due from/to affiliates are presented under notes 4 and 10, respectively.

8- PROPERTY, PLANT AND EQUIPMENT

The estimated useful lives of the assets for the calculation of depreciation are as follows:

Buildings on leasehold land	8 to 33 years
leasehold improvements	5 years
Plant and machinery	3 to 12 years
Furniture and equipment	3 to 10 years
Motor vehicles	4 years

	Freehold land	Buildings on leased land and leasehold improvements	Plant and machinery	Furniture equipment and motor vehicles	Construction work in progress	Total 2013	Total 2012
	SR	SR	SR	SR	SR	SR	SR
Cost:							
At the beginning of the year	13,375,403	128,646,305	144,971,156	37,219,179	111,378,088	435,590,131	316,070,903
Additions	-	17,000	1,439,119	1,116,993	73,909,101	76,482,213	119,855,753
Disposals	-	-	(3,470,581)	(168,000)	-	(3,638,581)	(336,525)
Transfers	26,906,760	58,769,620	56,093,455	4,622,414	(146,392,249)	-	-
At the end of the year	40,282,163	187,432,925	199,033,149	42,790,586	38,894,940	508,433,763	435,590,131
Depreciation:							
At the beginning of the year	-	46,700,879	109,390,860	30,367,036	-	186,458,775	171,825,579
Charge for the year	-	5,768,434	9,922,114	3,325,925	-	19,016,473	14,969,715
Disposals	-	-	(3,339,659)	(167,999)	-	(3,507,658)	(336,519)
At the end of the year	-	52,469,313	115,973,315	33,524,962	-	201,967,590	186,458,775
Net book amounts:							
At 31 December 2013	40,282,163	134,963,612	83,059,834	9,265,624	38,894,940	306,466,173	
At 31 December 2012	13,375,403	81,945,426	35,580,296	6,852,143	111,378,088		249,131,356

Portion of the buildings and construction work in progress are constructed on three separate plots of land leased from the Saudi Organization For Industrial Estate And Technology Zones for an initial period of 25 years commenced on 26 Dhu Al-Hijjah 1400H (corresponding to 4 November 1980). The Group has the option of renewing the lease agreements on expiry of the initial lease term. The lease agreements have been renewed for additional period of 25 years.

Construction work in progress comprises mainly of construction of a plant building, in addition for the cost of machineries, equipment which have not been commissioned yet.

9- INTANGIBLE ASSETS

	Licensed technology fee	Prepaid financial charges	Total	Total
	2013	2013	2013	2012
	SR	SR	SR	SR
Cost:				
At the beginning of the year	4,500,000	-	4,500,000	-
Additions during the year	-	4,000,000	4,000,000	4,500,000
At the end of the year	4,500,000	4,000,000	8,500,000	4,500,000
Amortisation:				
At the beginning of the year	-	-	-	-
charge for the year	900,000	400,000	1,300,000	-
At teh end of the year	900,000	400,000	1,300,000	-
Net book amounts:				
At 31 December 2013	3,600,000	3,600,000	7,200,000	
At 31 December 2012	4,500,000	-		4,500,000

Prepaid financial charges are related to upfront fees paid in respect of Saudi Industrial Development Fund (SIDF) loan and is amortised over the term of the related loan. Licensed technology fee is amortised over 5 years.

10- ACCOUNTS PAYABLE, NOTES PAYABLE AND ACCRUALS

	2013	2012
	SR	SR
Trade accounts payable	109,940,586	139,652,237
Notes payables	42,894,139	28,322,110
Advances from customers	40,518,941	51,947,076
Amounts due to affiliates (note 7)	11,991,748	7,002,762
Accrued expenses and other payables	56,254,635	41,759,215
	261,600,049	268,683,400

The notes payable are secured by corporate guarantees and carry commission at normal commercial rates.

11- SHORT TERM LOANS

The short term loans were obtained from local commercial banks for meeting working capital requirements. The facilities are secured by corporate guarantees. The facilities carry borrowing costs at normal commercial rates.

12- TERM LOANS

	2013	2012
	SR	SR
Murabaha loans from commercial banks	197,200,000	27,185,000
Saudi Industrial Development Fund (SIDF) loan	44,990,000	-
	242,190,000	27,185,000
Less: current portion	(22,925,000)	-
	219,265,000	27,185,000

During the year, the Group obtained 5 long term Murabaha loans from four local commercial banks to finance the capital projects and letter of credit payments. The loans carry financial cost at commercial rates and are repayable in unequal quarterly installments, with final installments due in 2018. The loans are secured by corporate guarantees.

The Group also obtained long term loan from the Saudi Industrial Development Fund (SIDF). The loan is free of financial cost but carry appraisal fees. The Group has paid appraisal fees in advance amounting to SR 4 million. The loan is repayable in 15 semi annual installments with various amounts with the last installment due in 2021.

The installments due during the 12 months period after the consolidated balance sheet date are presented under current liabilities in the consolidated balance sheet.

13- ZAKAT

Charge for the year

The zakat charge consists of:

	2013	2012
	SR	SR
Current year provision	14,358,179	8,328,612
Adjustment for previous years	3,613,418	-
Charge for the year	17,971,597	8,328,612

Movement in provision

The movement in the zakat provision was as follows:

	2013	2012
	SR	SR
At the beginning of the year	9,451,304	12,744,360
Provided during the year	17,971,597	8,328,612
Payments during the year	(10,978,701)	(11,621,668)
At the end of the year	16,444,200	9,451,304

Status of assessments

Electrical Industries Company (EIC)

Zakat declarations for the period ended 31 December 2008 and the years from 2009 to 2012 are under the Department of Zakat and Income Tax ("DZIT") review. Effective from the year 2013, EIC started to file combined zakat declaration for EIC and its wholly owned subsidiaries i.e STC and WESCOSA.

The Saudi Transformers Company Limited

The DZIT has raised its assessment for the years 2000 through 2002 claiming additional zakat liability of SR 4 million, which has been reduced following the Higher Appeal Committee ("HAC") decision to SR 3.6 million. The company has accepted the HAC's decission. The assessments for the years 2003 and 2004, have been raised by the DZIT claiming additional liability of SR 1 million. The company filed an appeal against the assessment. The assessments for the years 2005 through 2012 are still under the DZIT's review.

Wahah Electric Supply Company of Saudi Arabia Limited

Zakat assessments have been agreed with DZIT up to 2005.The assessments for the years 2006 through 2012 have not yet been raised by the DZIT.

Saudi Power Transformers Company Limited

Zakat and income tax declarations for the period ended 31 December 2011 and the year ended 31 December 2012 have been filed with the DZIT and still under their review.

14- SHARE CAPITAL

Share capital is divided into 35,000,000 shares (2012: 35,000,000 shares) of SR 10 each.

15- PROPOSED SHARE CAPITAL INCREASE

During the year the Board of Directors have recommended to increase the share capital from SR 350 million to SR 450 million by issuing 10 million additional shares of SR 10 per share. The share capital increase will be made by utilizing SR 70 million and SR 30 million from retained earnings and statutory reserve, respectively. The transaction is subject to the shareholders approval in their next Extraordinary General Assembly Meeting.

16- DIVIDENDS

The Board of Directors resolved on 6 October 2013 to distribute cash dividends of SR 1.75 per share (2012: nil) totaling SR 61.25 million representing 17.5% of the share capital to the shareholders. which have been fully paid during the year.

The Board of Directors in their meeting proposed to distribute cash dividends of SR 1 per share (2012: SR 1.5 per share) totaling SR 35 million (2012: SR 54 million) representing 10% (2012: 15%) of the share capital to the shareholders.

Accordingly, the total cash dividends declared during the year amounted to SR 2.75 per share (2012: SR 1.5 per share) totaling SR 96.25 million (2012: SR 54 million) representing 27.5% (2012: 15%) of the share capital to the shareholders.

During 2013, the shareholders of EIC in their meeting held on 14 May 2013 approved the distribution of dividends amounting to SR 54 million related to the year 2012, which have been fully paid.

17- SELLING AND DISTRIBUTION EXPENSES

	2013	2012
	SR	SR
Employees cost	13,167,907	14,760,181
Freight out	10,215,819	8,488,583
Royalties	8,545,917	8,181,465
Advertising and promotion	451,250	4,446,869
Warranty	3,000,772	1,921,917
Reversal of allowance for doubtful debts	(3,178,098)	(749,014)
Other	6,379,266	4,020,736
	38,582,833	41,070,737

18- GENERAL AND ADMINISTRATION EXPENSES

	2013	2012
	SR	SR
Employees cost	29,444,983	24,092,024
Office expenses	7,558,544	3,680,219
Depreciation	4,370,180	2,543,571
Other	5,143,318	5,419,787
	46,517,025	35,735,601

19- OTHER INCOME, NET

	2013	2012
	SR	SR
Other	4,378,613	557,818
Financial income	-	990,087
	4,378,613	1,547,905

20- COMMITMENTS

The Group entered into forward contracts to purchase certain materials based on their anticipated requirements. Such contracts amounted to SR 79.88 million at 31 December 2013 (2012: SR 74.3 million).

The directors authorised future capital expenditures amounting to SR 69 million (2012: SR 74.7 million), in respect of purchase of land, building, machineries and information technology.

21- CONTINGENT LIABILITIES

The Group's bankers have issued bid and performance letter of guarantees, on behalf of the Group, amounting to SR 150 million (2012: SR 131 million).

22- SEGMENTAL INFORMATION

Consistent with the Group's internal reporting process, business segments have been approved by the management in respect for its activities. The Group is recognized into the following main business segments:

	Manufacturing	Services	Total
	SR	SR	SR
As of 31 December 2013:			
Revenue	1,228,524,945	56,733,322	1,285,258,267
Income from main operations	145,765,939	35,392,253	181,158,192
Net income for the year	131,615,585	34,347,392	165,962,977
Property and equipment, net book value	303,202,224	3,263,949	306,466,173
Total assets	1,178,580,497	34,410,811	1,212,991,308
As of 31 December 2012:			
Revenue	1,013,701,527	48,998,911	1,062,700,438
Income from main operations	100,267,591	22,473,445	122,741,036
Net income for the year	86,189,129	21,959,660	108,148,789
Property and equipment, net book value	248,458,910	672,446	249,131,356
Total assets	1,206,419,447	40,411,844	1,246,831,291

The Group has the following main geographical segments:

31 December 2013:	Local	Export	Total
	SR	SR	SR
Receivables	364,926,900	21,241,542	386,168,442
Revenues	1,181,677,841	103,580,426	1,285,258,267
Cost of sales	(928,698,408)	(90,301,809)	(1,019,000,217)
Gross profit	252,979,433	13,278,617	266,258,050

31 December 2012:	Local	Export	Total
	SR	SR	SR
Receivables	335,927,606	85,000,861	420,928,467
Revenues	902,862,550	159,837,888	1,062,700,438
Cost of sale	(722,193,364)	(140,959,700)	(863,153,064)
Gross profit	180,669,186	18,878,188	199,547,374

23- DERIVATIVE FINANCIAL INSTRUMENTS

Fair value hedge:

The Group has a commission rate swap agreement designated as hedges against the exposure to changes in the exchange rates of the Group's term borrowings. Under the terms of the commission rate swap agreement, the Group pays a fixed rate of commission and receives a variable rate equal to three months USD-LIBOR on the notional amounts of USD 20 million. Net changes in fair value of the commission rate swaps designated as fair value hedge was unfavorable by SR 0.90 million (2012: SR 2.6 million) which has been charged to the statement of income.

24- RISK MANAGEMENT

Commission rate risk

Commission rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market commission rates. The Group is subject to commission rate risk on its commission bearing assets and liabilities, including short term and term loans. The Group manages its commission rate risk by maintaining floating rate term loans at an acceptable level as well as designating certain commission rate swap agreements as hedges against the exposure to changes in the commission rates.

Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other parry to incur a financial loss. The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables.

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 inability to sell a financial asset quickly at an amount close to its fair value. The Group limits its liquidity risk by ensuring that bank facilities are available. The Group's terms of sales require amounts to be paid within 30 to 60 days of the date of sale. Trade payables are normally settled within 60 to 90 days of the date of purchase.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group is subject to fluctuations in foreign exchange rates in the normal course of its business. The Group did not undertake significant transactions in currencies other than Saudi Riyals, Kuwaiti Dinar, US Dollars which is pegged against Saudi Riyals and Euros, during the year.

25- FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. The Group's financial assets consist of bank balances and cash, and accounts receivable, its financial liabilities consist of short and long term loans, accounts payable and notes payable.

The fair values of financial instruments at the consolidated balance sheet date are not materially different from their carrying values.

26- COMPARATIVE FIGURES

Certain of the prior year figures have been reclassified to conform with the presentation in the current year.

Electrical Industries Company (A Saudi Closed Joint Stock Company) and its subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2012

ERNST & YOUNG

P.O. Box 3795
4th Floor, Fluor Building
Al Khobar 31952
Saudi Arabia
Tel: +966 3 849 9500
Fax: +966 3 882 7224
www.ey.com/me
Registration No. 45

AUDITORS' REPORT TO THE SHAREHOLDERS OF ELECTRICAL INDUSTRIES COMPANY (A SAUDI CLOSED JOINT STOCK COMPANY) AND ITS SUBSIDIARIES

Scope of audit:

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

Unqualified opinion:

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

i) present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2012 and the results of it's operations and its cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

ii) comply with the requirements of the Regulations for Companies and the Company's by-laws in so far as they affect the preparation and presentation of the consolidated financial statements.

for Ernst & Young

Abdulaziz Saud Alshubaibi
Certified Public Accountant
Registration No. 339

22 Rabi'II 1434H
4 March 2013
Alkhobar

Electrical Industries Company (A Saudi Closed Joint Stock Company) and its subsidiaries

CONSOLIDATED BALANCE SHEET

As At 31 December 2012

	Note	2012	2011
		SR	SR
ASSETS			
CURRENT ASSETS			
Bank balances and cash		57,121,089	23,936,096
Accounts receivable and prepayments	4	451,066,830	330,343,102
Inventories	5	480,631,512	427,770,076
TOTAL CURRENT ASSETS		988,819,431	782,049,274
NON CURRENT ASSETS			
Property, plant and equipment	6	231,183,762	144,245,324
Investment in an associated company	8	4,379,130	5,344,906
TOTAL NON CURRENT ASSETS		235,562,892	149,590,230
TOTAL ASSETS		1,224,382,323	931,639,504
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable, notes payable and accruals	9	246,235,806	189,826,030
Warranty and liquidated damages provisions		24,273,951	25,972,145
Short term loans	10	363,940,752	132,625,688
Zakat provision	11	9,449,930	12,742,986
TOTAL CURRENT LIABILITIES		643,900,439	361,166,849
NON CURRENT LIABILITIES			
Long term loans		27,185,000	-
Employees' terminal benefits		48,114,436	43,418,890
TOTAL NON CURRENT LIABILITIES		75,299,436	43,418,890
TOTAL LIABILITIES		719,199,875	404,585,739
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY			
Share capital	12	350,000,000	350,000,000
Statutory reserve		23,184,694	12,369,815
Retained earnings		64,878,311	24,007,960
Proposed dividends	13	54,000,000	130,000,000
		492,063,005	516,377,775
MINORITY INTEREST		13,119,443	10,675,990
TOTAL SHAREHOLDERS' EQUITY AND MINORITY INTERESTS		505,182,448	527,053,765
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,224,382,323	931,639,504

The attached notes 1 to 22 form part of these consolidated financial statements.

Electrical Industries Company (A Saudi Closed Joint Stock Company) and its subsidiaries

CONSOLIDATED STATEMENT OF INCOME

Year ended 31 December 2012

	Note	2012	2011
		SR	SR
Sales		1,062,700,438	962,087,848
Cost of sales		(863,153,064)	(762,863,613)
GROSS PROFIT		199,547,374	199,224,235
EXPENSES			
Selling and distribution	14	(41,070,737)	(38,512,148)
General and administration	15	(35,735,601)	(29,022,058)
INCOME FROM MAIN OPERATIONS		122,741,036	131,690,029
Other income, net	16	1,547,905	1,151,920
Financial charges		(8,175,312)	(10,348,783)
INCOME BEFORE SHARE IN RESULTS OF AN ASSOCIATED COMPANY, MINORITY INTEREST AND ZAKAT		116,113,629	122,493,166
Share in results of an associated company	8	(965,776)	(167,594)
INCOME BEFORE MINORITY INTEREST AND ZAKAT		115,147,853	122,325,572
Minority interest		1,329,548	349,010
INCOME BEFORE ZAKAT		116,477,401	122,674,582
Zakat	11	(8,328,612)	(8,976,432)
NET INCOME FOR THE YEAR		108,148,789	113,698,150
EARNINGS PER SHARE FOR THE YEAR (SR):			
Attributable to income from main operations		3.51	3.76
Attributable to net income		3.09	3.25
Weighted average of number of shares outstanding		35,000,000	35,000,000

The attached notes 1 to 22 form part of these consolidated financial statements.

Electrical Industries Company (A Saudi Closed Joint Stock Company) and its subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2012

	2012	2011
	SR	SR
OPERATING ACTIVITIES		
Income before minority interest and zakat	115,147,853	122,325,572
Adjustments for:		
Depreciation	14,969,715	15,504,567
Employees' terminal benefits, net	4,695,546	3,043,492
Share in results of an associated company	965,776	167,594
Financial charges	8,175,312	10,348,783
Loss on disposal of property, plant and equipment	6	-
Warranty provision	1,921,917	4,126,486
	145,876,125	155,516,494
Changes in operating assets and liabilities		
Receivables	(120,723,728)	22,112,279
Inventories	(52,861,436)	(35,167,290)
Payables	51,189,665	9,388,941
Cash from operations	23,480,626	151,850,424
Financial charges paid	(8,175,312)	(10,348,783)
Zakat paid	(11,621,668)	(11,169,586)
Net cash from operating activities	3,683,646	130,332,055
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(101,908,159)	(9,944,877)
Net cash used in investing activities	(101,908,159)	(9,944,877)
FINANCING ACTIVITIES		
Minority interests	3,773,001	11,025,000
Net movement in shareholders accounts	-	(56,584,136)
Board of directors' remuneration paid	(863,559)	-
Net change in short term loans	258,500,064	17,061,058
Dividends paid	(130,000,000)	(96,059,905)
Net cash from/(used in) financing activities	131,409,506	(124,557,983)
INCREASE/(DECREASE) IN BANK BALANCES AND CASH	33,184,993	(4,170,805)
Bank balances and cash at the beginning of the year	23,936,096	16,631,901
Bank balances and cash of a subsidiary company	-	11,475,000
BANK BALANCES AND CASH AT THE END OF THE YEAR	57,121,089	23,936,096
NON-CASH TRANSACTIONS Dividends declared	54,000,000	130,000,000
Board of directors' remuneration	1,600,000	-

The attached notes 1 to 22 form part of these consolidated financial statements.

Electrical Industries Company (A Saudi Closed Joint Stock Company) and its subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Year ended 31 December 2012

	Share capital	Proposed capital increase	Statutory reserve	Retained earnings	Proposed dividends	Total
	SR	SR	SR	SR	SR	SR
Balance at 31 December 2010	2,000,000	348,000,000	1,000,000	51,679,625	96,059,905	498,739,530
Capital increase	348,000,000	(348,000,000)	-	-	-	-
Net income for the year	-	-	-	113,698,150	-	113,698,150
Transfer to statutory reserve	-	-	11,369,815	(11,369,815)	-	-
Dividends paid	-	-	-	-	(96,059,905)	(96,059,905)
Proposed dividends (note13)	-	-	-	(130,000,000)	130,000,000	-
Balance at 31 December 2011	350,000,000	-	12,369,815	24,007,960	130,000,000	516,377,775
Net income for the year	-	-	-	108,148,789	-	108,148,789
Board of directors' remuneration	-	-	-	(2,463,559)	-	(2,463,559)
Transfer to statutory reserve	-	-	10,814,879	(10,814,879)	-	-
Dividends paid	-	-	-	-	(130,000,000)	(130,000,000)
Proposed dividend (note13)	-	-	-	(54,000,000)	54,000,000	-
Balance at 31 December 2012	350,000,000	-	23,184,694	64,878,311	54,000,000	492,063,005

The attached notes 1 to 22 form part of these consolidated financial statements.

1- ACTIVITIES

Electrical Industries Company (EIC) (the "Company") is A Saudi Closed Joint Stock Company formed in accordance with the Ministerial Resolution number 198/Q dated 25 Rajab 1428H, (corresponding 7 August 2007) and registered in Dammam, Kingdom of Saudi Arabia under Commercial Registration number 2050056359 dated 22 Shaban 1428H (corresponding to 4 September 2007). The Company is wholly owned by Saudi shareholders.

The Company has the following subsidiaries:

Subsidiary name	Effective shareholding %		Commercial Registration number
	2012	2011	
Wahah Electric Supply Company of Saudi Arabia Limited («WESCOSA»)	100	100	2050004182
The Saudi Transformer Company Limited («STC»)	100	100	2050006007
The Saudi Power Transformer Company Limited («SPTC»)	51	51	2050073249

The Company and its subsidiaries collectively (the « group») are engaged in the manufacture, assembly, supply, repair and maintenance of transformers, compact substations and low voltage distribution panels, electrical distribution boards, cable trays, switch gears and other electrical equipment as well as provision of technical services relating to these activities.

During year 2011, the shareholders of the Company in their extraordinary general assembly meeting held on 2 March 2011, resolved to increase the share capital of the Company by SR 348,000,000 by issuing 34,800,000 shares of SR 10 per share. The increase was against the transfer of shares in subsidiaries at its net book value from the shareholders to the Company. Accordingly, the share capital after the increase is divided into 35,000,000 shares of SR 10 per share.

2- BASIS OF PREPARATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries. Subsidiaries are consolidated from the date the Company obtains control until such time as control ceases. Acquisitions of subsidiaries are accounted for using the purchase method of accounting. The financial statements of subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-group balances, transactions, income and expenses and profit and loss resulting from intra-group transactions that are recognised as assets, are eliminated in full.

3- SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. The significant accounting policies adopted are as follows:

Accounting convention

The consolidated financial statements are prepared under the historical cost convention.

Use of estimates

The preparation of 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 revenues and expenses during the reporting period.

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 when there is no possibility of recovery.

Inventories

Inventories are stated at the lower of cost and market value. Costs are those expenses incurred in bringing each product to its present location and condition and calculated on the following basis:

Raw materials and spare parts	- purchase cost on a weighted average basis.
Work in progress and finished goods	- cost of direct materials and labour plus attributable overheads based on a normal level of activity on a weighted average basis.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Freehold land and construction work in progress are not depreciated. The cost of other property, plant and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets.

Leasehold improvements are amortised on a straight-line basis over the shorter of the useful life of the improvement or the term of the lease.

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

Investments in associate company

The Group's investments in associate is accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Impairment of non current assets

The carrying values of non current assets 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 their value in use.

Impairment and uncollectibility of financial assets

An assessment is made at each consolidated balance sheet date to determine whether there is an objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the 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 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 the carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Accounts payable and accruals

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

Provisions

Provision is made 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.

The warranty provision is provided for expected future costs to be incurred under warranty commitments based on past experience.

Zakat

Zakat is provided in accordance with Saudi Arabian fiscal regulations. The provision is charged to the consolidated statement of income. Additional amounts, if any, that may become due on the finalisation of an assessment are accounted for in the year in which the assessment is finalised.

Employees' terminal benefits

Provision is made for amounts payable under the employment contracts applicable to employees' accumulated periods of service at the consolidated balance sheet date.

Statutory reserve

In accordance with Saudi Arabian Regulations for Companies, the Company must set aside 10% of its consolidated net income in each year until it has built up a reserve equal to one half of the share capital. The reserve is not available for distribution.

Sales

Sales represent the invoiced value of goods supplied and services rendered by the Group during the year, net of deductions.

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 consolidated balance sheet date. All differences are taken to the consolidated statement of income.

Derivative financial instruments

The Group uses derivative financial instruments, such as commission rate swaps to hedge its commission rate risks. Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. Recognition of any resultant unrealised gain or loss depends on the nature of the item being hedged.

The fair values are generally obtained by reference to quoted market prices, discounted cash flow models and other pricing models, as appropriate.

The change in the fair value of a hedging derivative is recognised in the consolidated statement of income under finance charges.

Expenses

Selling and distribution expenses are those that specifically relate to salesmen, royalties, warranties, warehousing and delivery vehicles as well as provision for doubtful debts. All other expenses other than direct cost and financial charges are classified as general and administration expenses.

Segmental 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 (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

Earnings per share

Earnings per share attributable to main operations is calculated by dividing income from main operations for the year by the weighted average of number of shares outstanding during the year.

Basic earnings per share attributable to net income is calculated by dividing the net income for the year by the weighted average of number of shares outstanding during the year.

Operating leases

Rentals payable under operating leases are charged to the consolidated statement of income on a straight line basis over the term of the operating lease.

Fair values

The fair value of commission-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

4- ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2012	2011
	SR	SR
Trade accounts receivable	420,928,467	296,196,401
Advances to suppliers	21,002,492	12,056,156
Prepaid expenses	5,181,881	2,149,692
Amounts due from shareholders	3,547,094	2,644,041
Amounts due from affiliates (note 7)	3,198,349	23,087,398
Other	12,040,018	10,062,114
	465,898,301	346,195,802
Less: allowance for doubtful debts	(14,831,471)	(15,852,700)
	451,066,830	330,343,102

Included in trade accounts receivable are balances amounting to SR 101.6 million (2011: SR 112.4 million) due from government and quasi-government institutions of which approximately SR 11.5 million (2011: SR 11.29 million) is more than one year old.

5- INVENTORIES

	2012	2011
	SR	SR
Raw materials	269,803,880	254,203,299
Work in progress	102,810,633	72,728,820
Goods in transit	64,117,092	58,413,164
Finished goods	47,243,502	49,204,761
Spares parts and consumables	13,512,899	12,522,310
	497,488,006	447,072,354
Less: provision for slow moving inventory items	(16,856,494)	(19,302,278)
	480,631,512	427,770,076

6- PROPERTY, PLANT AND EQUIPMENT

The estimated useful lives of the assets for the calculation of depreciation are as follows:

Buildings on leasehold land	8 to 33 years
leasehold improvements	5 years
Plant and machinery	3 to 12 years
Furniture and equipment	3 to 10 years
Motor vehicles	4 years

	Freehold land	Buildings on leased land and leasehold improvements	Plant and machinery	Furniture equipment and motor vehicles	Construction work in progress	Total 2012	Total 2011
	SR	SR	SR	SR	SR	SR	SR
Cost:							
At the beginning of the year	13,375,403	121,076,620	134,913,677	34,736,283	11,968,920	316,070,903	306,158,845
Additions	-	-	2,401	1,010,468	100,895,290	101,908,159	9,944,877
Disposals	-	-	-	(336,525)	-	(336,525)	(32,819)
Transfers	-	7,560,185	10,245,555	1,627,976	(19,433,716)	-	-
At the end of the year	13,375,403	128,636,805	145,161,633	37,038,202	93,430,494	417,642,537	316,070,903
Depreciation:							
At the beginning of the year	-	41,872,057	101,499,423	28,454,099	-	171,825,579	156,353,831
Charge for the year	-	4,828,822	8,037,127	2,103,766	-	14,969,715	15,504,567
Disposals	-	-	-	(336,519)	-	(336,519)	(32,819)
At the end of the year	-	46,700,879	109,536,550	30,221,346	-	186,458,775	171,825,579
Net book amounts:							
At 31 December 2012	13,375,403	81,935,926	35,625,083	6,816,856	93,430,494	231,183,762	
At 31 December 2011	13,375,403	79,204,563	33,414,254	6,282,184	11,968,920		144,245,324

Portion of the buildings and construction work in progress are constructed on three separate plots of land leased from the Saudi Organization For Industrial Estate And Technology Zones for an initial period of 25 years commenced on 26 Dhu Al-Hijjah 1400H (corresponding to 4 November 1980). The Group has the option of renewing the lease agreements on expiry of the initial lease term. The lease agreements have been renewed for additional period of 25 years.

Construction work in progress comprises mainly of construction of a plant building, in addition for the cost of machineries, equipment which have not been commissioned yet and advance made against the purchase of a parcel of land of SR 9.9 million.

7- RELATED PARTY TRANSACTIONS AND BALANCES

The following are details of the major related party transactions and balances during the year:

Related party	Nature of transactions	Amount of transactions		Balances	
		2012	2011	2012	2011
		SR	SR	SR	SR
Amount due form related parties:					
Al Toukhi Company for Industrial	Sales/Services rendered	1,108,937	939,177	694,501	11,781,374
Al-Quraishi Electric Services of Saudi Arabia (AQESA)	Sales/Services rendered	1,410,843	13,633,659	1,630,695	3,257,336
CG Power Systems Saudi Arabia	Transfer of funds	2,710	7,501,200	873,153	9,192,688
				3,198,349	24,231,398
Amount due to related parties:					
CG Power Systems of Belgium	Transfer of funds	6,976,803	25,959	7,002,762	25,959

Prices and terms of payment for these transactions are approved by the management.

Amounts due from/to affiliates are presented under notes 4 and 9, respectively.

8- INVESTMENT IN AN ASSOCIATED COMPANY

This represents 49% equity share in CG Power Systems of Saudi Arabia, a limited Liability company registered in the Kingdom of Saudi Arabia. The company was formed to engage in the installation, maintenance, operation, services and distribution of high and medium voltage transformers.

The movement in the investment was as follows:

	2012	2011
	SR	SR
At the beginning of the year	5,344,906	5,512,500
Share in results for the year	(965,776)	(167,594)
At the end of the year	4,379,130	5,344,906

9- ACCOUNTS PAYABLE, NOTES PAYABLE AND ACCRUALS

	2012	2011
	SR	SR
Trade accounts payable	117,204,643	86,703,957
Advance from customers	51,947,076	38,387,722
Notes payable	28,322,110	36,613,091
Amounts due to affiliates (note 7)	7,002,762	25,959
Accrued expenses and other payables	41,759,215	28,095,301
	246,235,806	189,826,030

The notes payable are secured by corporate guarantees (EIC, STC &WESCOSA) and carry commission at normal commercial rates.

10- SHORT TERM LOANS

The short term loans were obtained from local commercial banks for meeting working capital requirements. The facilities are secured by corporate guarantees (EIC, STC &WESCOSA). The facilities carry borrowing costs at normal commercial rates.

11- ZAKAT

Charge for the year

The zakat charge consists of:

	2012	2011
	SR	SR
Current year provision and charge for the year	8,328,612	8,976,432

Movement in provision

The movement in the zakat provision was as follows:

	2012	2011
	SR	SR
At the beginning of the year	12,742,986	14,936,140
Provided during the year	8,328,612	8,976,432
Payments during the year	(11,621,668)	(11,169,586)
At the end of the year	9,449,930	12,742,986

Status of assessments

Electrical Industries Company

Zakat declarations for the period ended 31 December 2008 and the years from 2009 to 2011 are under the Department of Zakat and Income Tax (DZIT) review.

The Saudi Transformers Company Limited

Zakat and income tax assessments have been agreed with the Department of Zakat and Income Tax [DZIT] up to 1999. The company received assessments for the years 2000 through 2002 with an additional liability of approximately SR 4 million. The Company filed an appeal against assessments for the years 2000 through 2002. Following receipt of the Preliminary Appeal Committee's (PAC) decisions, the Company has filed appeals with Higher Appeal Committee (HAC) against PAC's decisions. HAC decision is awaited. The Company received a revised assessment for the years 2003 and 2004 with an additional liability of approximately SR 1 million. The Company filed an appeal against the revised assessment for the years 2003 and 2004. The assessments for the years 2005 through 2011 have not yet been raised by the DZIT.

Wahah Electric Supply Company of Saudi Arabia Limited

Zakat and income tax assessments have been agreed with the Department of Zakat and Income Tax [DZIT] up to 2002. The Company has recently received a revised assessment for the year 2003 with an additional liability of SR 45,226 which will be settled shortly to finalize their position for the year 2003. The Company has recently received a revised assessment for the years 2004 and 2005 with an additional liability of SR 514,981. The Company has filed a letter to the DZIT requesting to correct certain errors in the revised assessment for the year 2005. The assessments for the years 2006 through 2011 have not yet been raised by the DZIT.

Saudi Power Transformers Company Limited

Zakat and income tax declaration for the period ended 31 December 2011 has been filed with the Department of Zakat and Income Tax [DZIT] and still under their review.

12- SHARE CAPITAL

Share capital is divided into 35,000,000 shares (2011: 35,000,000 shares) of SR 10 each.

13- PROPOSED DIVIDENDS

The Board Of Directors in their meeting held on 4 March 2013 proposed cash dividends of SR 1.5 per share (2011: SR 3.7) totaling SR 54 million (2011: SR 130 million) representing 15% (2011: 37%) of the share capital to the shareholders.

14- SELLING AND DISTRIBUTION EXPENSES

	2012	2011
	SR	SR
Employees cost	14,760,181	12,101,584
Freight out	8,488,583	6,133,058
Royalties	8,181,465	6,738,557
Advertising and promotion	4,446,869	2,843,466
Warranty	1,921,917	4,126,486
Bad debts (reversal)/expense	(749,014)	2,449,029
Other	4,020,736	4,119,968
	41,070,737	38,512,148

15- GENERAL AND ADMINISTRATION EXPENSES

	2012	2011
	SR	SR
Employees cost	24,092,024	18,174,461
Office expenses	3,680,219	2,517,251
Depreciation	2,543,571	2,443,235
Other	5,419,787	5,887,111
	35,735,601	29,022,058

16- OTHER INCOME, NET

	2012	2011
	SR	SR
Financial income	990,087	101,325
Other	557,818	1,050,595
	1,547,905	1,151,920

17- COMMITMENTS

The Group entered into forward contracts to purchase certain materials based on their anticipated requirements. Such contracts amounted to SR 74.3 million at 31 December 2012 (2011: SR 93.7 million).

The directors authorised future capital expenditures amounting to SR 74.7 million (2011: SR 88.3 million), in respect of purchase of land, building, machineries and information technology.

18- CONTINGENT LIABILITIES

The Group's bankers have issued letter of guarantees, on behalf of the Group, amounting to SR 131 million (2011: SR 171.5 million).

19- SEGMENTAL INFORMATION

Consistent with the Group's internal reporting process, business segments have been approved by the management in respect for its activities. The Group is recognized into the following main business segments:

	Manufacturing	Services	Total
	SR	SR	SR
As of 31 December 2012:			
Revenue	1,013,701,527	48,998,911	1,062,700,438
Income from main operations	100,267,591	22,473,445	122,741,036
Net income for the year	86,189,129	21,959,660	108,148,789
Property and equipment, net book value	230,511,316	672,446	231,183,762
Total assets	1,183,970,479	40,411,844	1,224,382,323
As of 31 December 2011:			
Revenue	924,730,878	37,356,970	962,087,848
Income from main operations	109,701,017	21,989,012	131,690,029
Net income for the year	92,379,618	21,318,532	113,698,150
Property and equipment, net book value	141,257,644	1,843,680	143,101,324
Total assets	897,089,049	34,550,455	931,639,504

The Group has the following main geographical segments:

31 December 2012:	Local	Export	Total
	SR	SR	SR
Receivables	335,927,606	85,000,861	420,928,467
Revenues	902,862,550	159,837,888	1,062,700,438
Cost of sales	(722,193,364)	(140,959,700)	(863,153,064)
Gross profit	180,669,186	18,878,188	199,547,374

31 December 2011:	Local	Export	Total
	SR	SR	SR
Receivables	294,935,134	1,261,267	296,196,401
Revenues	905,868,032	56,219,816	962,087,848
Cost of sale	(719,264,293)	(43,599,320)	(762,863,613)
Gross profit	186,603,739	12,620,496	199,224,235

20- DERIVATIVE FINANCIAL INSTRUMENTS

Fair value hedge:

The Group has a commission rate swap agreement designated as hedges against the exposure to changes in the exchange rates of the Group's term borrowings. Under the terms of the commission rate swap agreement, the Group pays a fixed rate of commission and receives a variable rate equal to three months USD-LIBOR on the notional amounts of USD 20 million. Net changes in fair value of the commission rate swaps designated as fair value hedge was SR 2,6 million (2011: SR 1,4 million) which has been charged to the statement of income.

The Group has a foreign exchange swap agreement designated as hedges against the exposure to changes in the foreign exchange rate of the Group's financial assets outstanding in Kuwaiti Dinar. Under the terms of the exchange rate swap agreement, the Group gets a fixed amount of USD against it's financial assets held in Kuwaiti Dinar. Net changes in fair value of the exchange rate swaps designated as fair value hedge was SR 0.88 million (2011: nil) which has been charged to the statement of income.

21- RISK MANAGEMENT

Commission rate risk

Commission rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market commission rates. The Group is subject to commission rate risk on its commission bearing assets and liabilities, including term loans. The Group manages its commission rate risk by maintaining floating rate term loans at an acceptable level as well as designating certain commission rate swap agreements as hedges against the exposure to changes in the commission rates.

Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other parry to incur a financial loss. The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables.

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 inability to sell a financial asset quickly at an amount close to its fair value. The Group limits its liquidity risk by ensuring that bank facilities are available. The Group's terms of sales require amounts to be paid within 30 to 60 days of the date of sale. Trade payables are normally settled within 60 to 90 days of the date of purchase.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group is subject to fluctuations in foreign exchange rates in the normal course of its business. The Group did not undertake significant transactions in currencies other than Saudi Riyals, Kuwaiti Dinar, US Dollars and Euros, during the year. The Group manages the risk related to Kuwaiti Dinar by entering into certain foreign currency swap agreements.

22- FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. The Group's financial assets consist of bank balances and cash, and accounts receivable, its financial liabilities consist of short term loans, accounts payable and notes payable.

The fair values of financial instruments at the consolidated balance sheet date are not materially different from their carrying values.

Electrical Industries Company (A Saudi Closed Joint Stock Company) and its subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2011

ERNST & YOUNG

P.O. Box 3795
4th Floor, Floor Building
Al Khobar 31952
Saudi Arabia
Tel: +966 3 849 9500
Fax: +966 3 882 7224
www.ey.com/me
Registration No. 45

AUDITORS' REPORT TO THE SHAREHOLDERS OF ELECTRICAL INDUSTRIES COMPANY (A SAUDI CLOSED JOINT STOCK COMPANY) AND ITS SUBSIDIARIES

Scope of Audit:

We have audited the accompanying consolidated balance sheet of Electrical Industries Company (A Saudi Closed Joint Stock Company) (the "Company") and its subsidiaries (the "Group") as at 31 December 2011 and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended.These consolidated financial statements are the responsibility of the management and have been prepared by them in accordance with the provisions of Article 123 of the Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the financial statements.

Unqualified opinion:

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

i) present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2011 and the results of it's operations and its cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

ii) comply with the requirements of the Regulations for Companies and the Company's by-laws in so far as they affect the preparation and presentation of the consolidated financial statements.

for Ernst & Young

Abdulaziz Saud Alshubaibi
Certified Public Accountant
Registration No. 339

6 Rabi'II 1433H
28 February 2012
Alkhobar

Electrical Industries Company (A Saudi Closed Joint Stock Company) and its subsidiaries

CONSOLIDATED BALANCE SHEET

As At 31 December 2011

	Note	2011	2010
		SR	SR
ASSETS			
CURRENT ASSETS			
Bank balances and cash		23,936,096	16,631,901
Accounts receivable and prepayments4		330,452,502	349,920,740
Inventories	5	427,770,076	392,602,786
TOTAL CURRENT ASSETS		782,158,674	759,155,427
NON CURRENT ASSETS			
Property, plant and equipment	7	144,245,324	149,805,014
Investment in an associated company	8	5,344,906	5,512,500
Investment in a subsidiary company		-	11,475,000
TOTAL NON CURRENT ASSETS		149,590,230	166,792,514
TOTAL ASSETS		931,748,904	925,947,941
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accruals	9	189,935,430	178,234,506
Warranty and liquidated damages provision		25,972,145	24,157,642
Short term loans	10	132,625,688	115,564,630
Zakat provision	11	12,742,986	14,936,140
TOTAL CURRENT LIABILITIES		361,276,249	332,892,918
NON CURRENT LIABILITIES			
Amounts due to shareholders		-	53,940,095
Employees' terminal benefits		43,418,890	40,375,398
TOTAL NON CURRENT LIABILITIES		43,418,890	94,315,493
TOTAL LIABILITIES		404,695,139	427,208,411
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMAPNY			
Share capital	12	350,000,000	2,000,000
Proposed capital increase	1	-	348,000,000
Statutory reserve		12,369,815	1,000,000
Retained earnings		24,007,960	51,679,625
Proposed dividends	13	130,000,000	96,059,905
		516,377,775	498,739,530
MINORITY INTERESTS		10,675,990	-
TOTAL SHAREHOLDERS' EQUITY AND MINORITY INTERESTS		527,053,765	498,739,530
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		931,748,904	925,947,941

The attached notes 1 to 23 form part of these consolidated financial statements.

Electrical Industries Company (A Saudi Closed Joint Stock Company) and its subsidiaries

CONSOLIDATED STATEMENT OF INCOME

Year ended 31 December 2011

	Note	2011	2010
		SR	SR
Sales		962,087,848	981,411,177
Cost of sales		(762,863,613)	(750,596,430)
GROSS PROFIT		199,224,235	230,814,747
EXPENSES			
Selling and distribution	14	(38,512,148)	(32,416,595)
General and administration	15	(29,022,058)	(27,298,640)
INCOME FROM MAIN OPERATIONS		131,690,029	171,099,512
Other income, net	16	1,151,920	6,178,409
Financial charges		(10,348,783)	(11,998,573)
INCOME BEFORE SHARE IN RESULTS OF AN ASSOCIATED COMPANY, MINORITY INTERESTS AND ZAKAT		122,493,166	165,279,348
Share in results of an associated company		(167,594)	-
INCOME BEFORE MINORITY INTERESTS AND ZAKAT		122,325,572	165,279,348
Minority interests		349,010	-
INCOME BEFORE ZAKAT		122,674,582	165,279,348
Zakat	11	(8,976,432)	(13,868,172)
NET INCOME FOR THE YEAR		113,698,150	151,411,176
EARNINGS PER SHARE FOR THE YEAR (SR):			
Attributable to income from main operations		3.76	4.89
Attributable to net income		3.25	4.33
Weighted average of number of shares outstanding		35,000,000	35,000,000

The attached notes 1 to 23 form part of these consolidated financial statements.

Electrical Industries Company (A Saudi Closed Joint Stock Company) and its subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2011

	2011	2010
	SR	SR
OPERATING ACTIVITIES		
Income before minority interests and Zakat	122,325,572	165,279,348
Adjustments for:		
Depreciation	15,504,567	15,323,029
Employees' terminal benefits, net	3,043,492	5,301,960
Share in results of an associated company	167,594	-
Financial charges	10,348,783	11,998,573
	151,390,008	197,902,910
Changes in operating assets and liabilities		
Receivables	22,112,279	66,369,943
Inventories	(35,167,290)	84,160,650
Payables	13,515,427	(44,120,056)
Cash from operations	151,850,424	304,313,447
Financial charges paid	(10,348,783)	(11,998,573)
Zakat paid	(11,169,586)	(10,050,531)
Net cash from operating activities	130,332,055	282,264,343
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(9,944,877)	(13,675,348)
Addition of investments	-	(16,987,500)
Dividends receivables	-	1,750,000
Net cash used in investing activities	(9,944,877)	(28,912,848)
FINANCING ACTIVITIES		
Net change in bank overdrafts	-	(473,788)
Minority interests	11,025,000	-
Net movement in shareholders accounts	(56,584,136)	(111,764,997)
Net change in short term loans	17,061,058	(143,282,429)
Dividends paid	(96,059,905)	(2,985,000)
Net cash used in financing activities	(124,557,983)	(258,506,214)
DECREASE IN BANK BALANCES AND CASH	(4,170,805)	(5,154,719)
Bank balances and cash at the beginning of the year	16,631,901	634,916
Bank balances and cash related to acquired subsidiaries	-	21,151,704
Bank balances and cash of a subsidiary Company	11,475,000	-
BANK BALANCES AND CASH AT THE END OF THE YEAR	23,936,096	16,631,901

The attached notes 1 to 23 form part of these consolidated financial statements.

Electrical Industries Company (A Saudi Closed Joint Stock Company) and its subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Year ended 31 December 2011

	Share capital	Proposed capital increase	Statutory reserve	Retained earnings	Proposed dividends	Total
	SR	SR	SR	SR	SR	SR
Balance at 31 December 2009	2,000,000	-	31,335	282,019	-	2,313,354
Proposed capital increase	-	348,000,000	-	-	-	348,000,000
Net income for the year	-	-	-	151,411,176	-	151,411,176
Transfer to statutory reserve	-	-	968,665	(968,665)	-	-
Dividends	-	-	-	(99,044,905)	96,059,905	(2,985,000)
Balance at 31 December 2010	2,000,000	348,000,000	1,000,000	51,679,625	96,059,905	498,739,530
Net income for the year	-	-	-	113,698,150	-	113,698,150
Capital increase	348,000,000	(348,000,000)	-	-	-	-
Transfer to statutory reserve	-	-	11,369,815	(11,369,815)	-	-
Dividends paid	-	-	-	-	(96,059,905)	(96,059,905)
Dividends	-	-	-	(130,000,000)	130,000,000	-
Balance at 31 December 2011	350,000,000	-	12,369,815	24,007,960	130,000,000	516,377,775

The attached notes 1 to 23 form part of these consolidated financial statements.

1- ACTIVITIES

Electrical Industries Company (EIC) (the "Company") is A Saudi Closed Joint Stock Company formed in accordance with the Ministerial Resolution number 198/Q dated 25 Rajab 1428H, (corresponding 7 August 2007) and registered in Dammam, Kingdom of Saudi Arabia under Commercial Registration number 2050056359 dated 22 Shaban 1428H (corresponding to 4 September 2007). The Company is wholly owned by Saudi shareholders.

The Company has the following subsidiaries:

Subsidiary name	Effective shareholding %		Commercial Registration number
	2011	2010	
Wahah Electric Supply Company of Saudi Arabia Limited (WESCOSA)	100	100	2050004182
The Saudi Transformer Company Limited (STC)	100	100	2050006007
The Saudi Power Transformer Company Limited (SPTC)	51	51	2050073249

The Saudi Power Transformer Company Limited (SPTC) had been consolidated in these financial statements effective 1 January 2011 as the subsidiary was under formation during the year 2010.

The Company and its subsidiaries are engaged in the manufacture, assembly, supply, repair and maintenance of transformers, compact substations and low voltage distribution panels, electrical distribution boards, cable trays, switch gears and other electrical equipment as well as provision of technical services relating to these activities.

During year 2011, the shareholders of the Company in their extraordinary general assembly meeting held on 2 March 2011, resolved to increase the share capital of the Company by SR 348,000,000 by issuing 34,800,000 shares of SR 10 per share. The increase was against the transfer of shares in subsidiaries at its net book value from the shareholders to the Company. Accordingly, the share capital after the increase divided into 35,000,000 shares of SR 10 per share.

2- BASIS OF PREPARATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries. Subsidiaries are consolidated from the date the Company obtains control until such time as control ceases. Acquisitions of subsidiaries are accounted for using the purchase method of accounting. The financial statements of subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-group balances, transactions, income and expenses and profit and loss resulting from intra-group transactions that are recognised as assets, are eliminated in full.

3- SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. The significant accounting policies adopted are as follows:

Accounting convention

The consolidated financial statements are prepared under the historical cost convention.

Use of estimates

The preparation of 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 revenues and expenses during the reporting period.

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 when there is no possibility of recovery.

Inventories

Inventories are stated at the lower of cost and market value. Costs are those expenses incurred in bringing each product to its present location and condition and calculated on the following basis:

Raw materials, consumables and spare parts -purchase cost on a weighted average basis.

Work in progress and finished goods-cost of direct materials and labour plus attributable

overheads based on a normal level of activity.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Freehold land and work in progress are not depreciated. The cost of other property, plant and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets.

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 their value in use.

Leasehold improvements/assets are amortised on a straight-line basis over the shorter of the useful life of the improvement/assets or the term of the lease.

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

Investments in an associated Company

The Group's investments in an associate is accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary not a joint venture. Under the equity method, the investment in associates is carried in the consolidated balance sheet at cost adjusted by the changes in the Group's share of net assets of the associate. The consolidated statement of income reflects the share of the results of operation of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any change and discloses this, when applicable, in the consolidated statements of changes in shareholder's equity. Profits and losses resulting from transactions between the Group and the associates are eliminated to the extent of interest in an associate.

The financial statements of an associate is prepared for the same period as the Comapny. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Impairment and uncollectibility of financial assets

An assessment is made at each consolidated balance sheet date to determine whether there is an objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the 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 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 the carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Accounts payable and accruals

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

Provisions

Provision is made 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.

Zakat

Zakat is provided in accordance with Saudi Arabian fiscal regulations. The provision is charged to the consolidated statement of income. Additional amounts, if any, that may become due on the finalisation of an assessment are accounted for in the year in which the assessment is finalised.

Employees' terminal benefits

Provision is made for amounts payable under the employment contracts applicable to employees' accumulated periods of service at the consolidated balance sheet date.

Statutory reserve

In accordance with Saudi Arabian Regulations for Companies, the Company must set aside 10% of its consolidated net income in each year until it has built up a reserve equal to one half of the share capital. The reserve is not available for distribution.

Sales

Sales represent the invoiced value of goods supplied and services rendered by the Group during the year, net of deductions.

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 consolidated balance sheet date. All differences are taken to the consolidated statement of income.

Derivative financial instruments

The Group uses derivative financial instruments, such as commission rate swaps to hedge its commission rate risks. Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. Recognition of any resultant unrealised gain or loss depends on the nature of the item being hedged.

The fair values are generally obtained by reference to quoted market prices, discounted cash flow models and other pricing models, as appropriate.

The change in the fair value of a hedging derivative is recognised in the consolidated statement of income in finance charges.

Expenses

Selling and distribution expenses are those that specifically relate to salesmen, royalties, warranties, warehousing and delivery vehicles as well as provision for doubtful debts. All other expenses other than financial charges are classified as general and administration expenses.

Segmental 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 (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

Earnings per share

Earnings per share attributable to main operations is calculated by dividing income from main operations for the year by the weighted average of number of shares outstanding during the year.

Basic earnings per share attributable to net income is calculated by dividing the net income for the year by the weighted average of number of shares outstanding during the year.

Operating leases

Rentals payable under operating leases are charged to the consolidated statement of income on a straight line basis over the term of the operating lease.

Fair values

The fair value of commission-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

4- ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2011	2010
	SR	SR
Trade accounts receivable	280,343,701	326,081,398
Amounts due from affiliates (note 6)	23,196,798	7,254,382
Advances to suppliers	10,191,286	7,910,459
Prepaid expenses	2,149,692	2,082,728
Amounts due from shareholders	2,644,041	-
Other	11,926,984	6,591,773
	330,452,502	349,920,740

Included in trade accounts receivable are balances amounting to SR 112.4 million (2010: SR 164 million) due from government and quasi-government institutions of which approximately SR 11.29 million (2010: SR 18 million) is more than one year old.

5- INVENTORIES

	2011	2010
	SR	SR
Raw materials	235,355,261	236,033,207
Work in progress	72,728,820	56,666,031
Goods in transit	58,413,164	39,142,768
Finished goods	49,204,761	50,330,195
Spares parts and consumables	12,068,070	10,430,585
	427,770,076	392,602,786

6- RELATED PARTY TRANSACTIONS AND BALANCES

The following are details of the major related party transactions and balances during the year:

Related party	Nature of transactions	Amount of transactions		Balances	
		2011	2010	2011	2010
		SR	SR	SR	SR
Al Toukhi Company for Industrial	Sales/Services rendered	939,177	1,767,766	4,019,586	4,237,481
Al-Quraishi Electric Services of Saudi Arabia (AQESA)	Sales/Services rendered	13,633,659	4,314,445	11,319,266	3,016,902
CG Power Systems of Belgium	Transfer of funds	7,501,200	-	7,501,200	-

Prices and terms of payment for these transactions are approved by the management.

Amounts due from/to affiliates are disclosed in notes 4 and 9, respectively.

7- PROPERTY, PLANT AND EQUIPMENT

The estimated useful lives of the assets for the calculation of depreciation are as follows:

Buildings on leasehold land	8 to 33 years
leasehold improvements	5 years
Plant and machinery	3 to 12 years
Furniture and equipment	3 to 10 years
Motor vehicles	4 years

	Freehold land	Buildings on leased land and leasehold improvements	Plant and machinery	Furniture equipment and motor vehicles	Construction work in progress	Total 2011	Total 2010
	SR	SR	SR	SR	SR	SR	SR
Cost:							
At the beginning of the year	13,375,403	106,824,976	131,639,609	32,233,220	22,085,637	306,158,845	89,640
Assets related to acquired subsidiaries	-	-	-	-	-	-	292,393,857
Additions	-	3,552,547	3,512,365	2,371,200	508,765	9,944,877	13,675,348
Disposals	-	-	(26,994)	(5,825)	-	(32,819)	-
Transfers	-	10,625,482	-	-	(10,625,482)	-	-
At the end of the year	13,375,403	121,003,005	135,124,980	34,598,595	11,968,920	316,070,903	306,158,845
Depreciation:							
At the beginning of the year	-	36,737,462	93,887,987	25,728,382	-	156,353,831	13,739
Accumulated depreciation related to acquired subsidiaries	-	-	-	-	-	-	141,017,063
Charge for the year	-	5,134,595	7,737,566	2,632,406	-	15,504,567	15,323,029
Disposals	-	-	(26,994)	(5,825)	-	(32,819)	-
At the end of the year	-	41,872,057	101,598,559	28,354,963	-	171,825,579	156,353,831
Net book amounts:							
At 31 December 2011	13,375,403	79,130,948	33,526,421	6,243,632	11,968,920	144,245,324	
At 31 December 2010	13,375,403	70,087,514	37,751,622	6,504,838	22,085,637		149,805,014

Portion of the buildings and construction work in progress are constructed on three separate plots of land leased from the Saudi Organization For Industrial Estate And Technology Zones for an initial period of 25 years commenced on 26 Dhu Al-Hijjah 1400H (corresponding to 4 November 1980). The Group have the option of renewing the lease agreements on expiry of the initial lease term. The lease agreements have been renewed for additional period of 25 years.

Construction work in progress comprises mainly of construction of a plant building, in addition for the cost of machineries and equipment, which have not been commissioned yet.

The deprecation charge for the year was allocated as follows:

	2011	2010
	SR	SR
Cost of sales	12,524,289	12,180,284
Selling and distribution expense (note14)	537,043	320,339
General and administration expenses (note15)	2,443,235	2,822,406
	15,504,567	15,323,029

8- INVESTMENT IN AN ASSOCIATED COMPANY

This represents 49% equity share in CG Power Systems of Saudi Arabia, a limited Liability Company registered in the Kingdom of Saudi Arabia. The Company was formed to engage in the installation, maintenance, operation, services and distribution of high and medium voltage transformers. The associated company has not commenced its commercial operations as of the consolidated balance sheet date.

The movement in the investments in an associated company as of 31 December 2011 was as follows:

	CG Power Systems Limited Liability Company
	SR
At the beginning of the year	5,512,500
Share in results for the year	(167,594)
At the end of the year	5,344,906

9- ACCOUNTS PAYABLE AND ACCRUALS

	2011	2010
	SR	SR
Trade accounts payable	86,703,957	89,526,728
Advance from customers	38,387,722	42,349,451
Notes payable	36,613,091	20,950,965
Accrued expenses and other payables	28,095,301	23,553,264
Amounts due to affiliates (note 6)	135,359	1,854,098
	189,935,430	178,234,506

The notes payable are secured by personal and corporate guarantees of the shareholders and carry commission at normal commercial rates.

10- SHORT TERM LOANS

The short term loans were obtained from local commercial banks for meeting working capital requirements. The facilities are secured by personal guarantees of the shareholders and by assignment of contract proceeds. The facilities carry borrowing costs at normal commercial rates.

11- ZAKAT

Charge for the year

The Zakat charge consists of:

	2011	2010
	SR	SR
Current year provision and charge for the year	8,976,432	13,868,172

Movement in provision

The movement in the Zakat provision was as follows:

	2011	2010
	SR	SR
At the beginning of the year	14,936,140	45,000
Related to acquired subsidiaries	-	11,073,499
Provided during the year	8,976,432	13,868,172
Payments during the year	(11,169,586)	(10,050,531)
At the end of the year	12,742,986	14,936,140

Status of assessments

Electrical Industries Company

Zakat declarations for the period ended 31 December 2008 and the years 2009 and 2010 are under the Department of Zakat and Income Tax (DZIT) review.

Saudi Transformers Company

Zakat and income tax assessments have been agreed with the Department of Zakat and Income Tax (DZIT) up to year 1999. The assessments for the years from 2000 to 2004 have been raised by the DZIT with an additional liability of SR 5.1 million. The company has filed appeals against the DZIT assessments. The declarations for the years from 2005 to 2010 are still awaiting DZIT review.

Wahah Electric Supply Company of Saudi Arabia Limited

Zakat assessments have been agreed with Department of Zakat and Income Tax (DZIT) up to year 2002. Revised Zakat assessment for the year 2003 was raised by the (DZIT) claiming additional liability of SR 351 thousand. The assessment is still under appeal. The (DZIT) has raised assessment for 2004 and the Company has filed a letter to (DZIT) requesting them to rectify certain errors in the application. The declarations for the years from 2005 to 2010 are under DZIT review.

12- SHARE CAPITAL

Share capital is divided into 35,000,000 shares (2010: 200,000 shares) of SR 10 each.

13- PROPOSED DIVIDENDS

The Board Of Directors in their meeting held on 28 February 2012 proposed cash dividends of SR 3.7 per share totaling SR 130 million representing 37% of the share capital to the shareholders.

The Board Of Directors in their meeting held on 2 March 2011 proposed cash dividends to the shareholders of SR 2.7 per share totaling SR 96,060 thousand representing 27% of the share capital.

14- SELLING AND DISTRIBUTION EXPENSES

	2011	2010
	SR	SR
Employees cost	12,440,018	10,548,177
Royalties	6,738,557	6,245,290
Freight out	6,133,058	6,700,958
Warranty	4,126,487	2,456,695
Bad debts expense	2,449,029	864,115
Advertising and promotion	1,389,556	1,196,826
Depreciation (note7)	537,043	320,339
Other	4,698,400	4,084,195
	38,512,148	32,416,595

15- GENERAL AND ADMINISTRATION EXPENSES

	2011	2010
	SR	SR
Employees cost	18,174,461	18,048,810
Office expenses	2,517,251	3,199,308
Depreciation (note7)	2,443,235	2,822,406
Other	5,887,111	3,228,116
	29,022,058	27,298,640

16- OTHER INCOME, NET

	2011	2010
	SR	SR
Provision for bad debts no longer required	-	2,523,500
Amounts no longer payable	-	2,324,696
Financial income	101,325	565,115
Other	1,050,595	765,098
	1,151,920	6,178,409

17- COMMITMENTS

The Group enters into forward contracts to purchase certain materials based on their anticipated requirements. Such contracts amounting SR 93.7 million at 31 December 2011 (2010: SR 60 million).

The directors authorised future capital expenditures amounting to SR 88.3 million (2010: SR 18.5 million), in respect of purchase land, building, machineries and information technology.

18- CONTINGENT LIABILITIES

The Group's bankers have issued letter of guarantees, on behalf of the Group, amounting to SR 171.5 million (2010: SR 171 million).

19- SEGMENTAL INFORMATION

Consistent with the Group's internal reporting process, business segments have been approved by the management in respect for its activities. The Group is recognized into the following main business segments:

	Manufacturing	Services	Total
	SR	SR	SR
As of 31 December 2011:			
Revenue	924,730,878	37,356,970	962,087,848
Income from main operations	109,701,017	21,989,012	131,690,029
Net income for the year	92,379,618	21,316,551	113,696,169
Property and equipment, net book value	142,401,644	1,843,680	144,245,324
Total assets	897,099,965	34,550,455	931,650,420
As of 31 December 2010:			
Revenue	942,077,490	39,333,687	981,411,177
Income from main operations	148,956,243	22,143,269	171,099,512
Net income for the year	130,287,311	21,123,865	151,411,176
Property and equipment, net book value	148,666,454	1,138,560	149,805,014
Total assets	891,465,252	34,482,689	925,947,941

The Group has the following main geographical segments:

31 December 2011:	Local	Export	Total
	SR	SR	SR
Receivables	279,082,434	1,261,267	280,343,701
Revenues	905,868,032	56,219,816	962,087,848
Cost of sales	(719,264,293)	(43,599,320)	(762,863,613)
Gross profit	186,603,739	12,620,496	199,224,235

31 December 2010:	Local	Export	Total
	SR	SR	SR
Receivables	265,607,010	60,474,388	326,081,398
Revenues	823,122,724	158,288,453	981,411,177
Cost of sale	(631,952,199)	(118,644,231)	(750,596,430)
Gross profit	191,170,525	39,644,222	230,814,747

20- DERIVATIVE FINANCIAL INSTRUMENTS

Fair value hedge:

During 2011, the Company had two commission rate swap agreements (2010: Nil) designated as hedges against the exposure to changes in the commission rates of the Company's term borrowings. Under the terms of the commission rate swap agreements, the Company pays a fixed rate of commission and receives a variable rate equal to three and six months USD-LIBOR on the notional amounts of USD 20 million and USD 20 million, respectively. Net changes in fair value of the commission rate swaps designated as fair value hedge was SR 1,443,028 (2010: Nil) which has been charged to the consolidated statement of income.

21- RISK MANAGEMENT

Commission rate risk

Commission rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market commission rates. The Group is subject to commission rate risk on its commission bearing assets and liabilities, including bank deposits and term loans. The Group manages its commission rate risk by maintaining floating rate term loans at an acceptable level as well as designating certain commission rate swap agreements as hedges against the exposure to changes in the commission rates.

Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other parry to incur a financial loss. The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables.

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 inability to sell a financial asset quickly at an amounts close to its fair value. The Group limits its liquidity risk by ensuring that bank facilities are available. The Group's terms of sales require amounts to be paid within 30 to 60 days of the date of sale. Trade payables are normally settled within 60 to 90 days of the date of purchase.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group is subject to fluctuations in foreign exchange rates in the normal course of its business. The Group did not undertake significant transactions in currencies other than Saudi Riyals, US Dollars and Euros, during the year.

22- FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. The Group's financial assets consist of cash on hand, bank balances and accounts receivable and prepayments, its financial liabilities consist of short term loans, accounts payable, accrued expenses, and amounts due to shareholders.

The fair values of financial instruments at the consolidated balance sheet date are not materially different from their carrying values.

23- COMPARATIVE FIGURES

Certain of the prior year amounts have been reclassified to conform with the presentation in the current year.

شـركـة الصنـاعـات الكهربائيـة
ELECTRICAL INDUSTRIES CO.