INTRODUCTION

‘Boundless’. It’s a word that’s at the heart of ACWA Power: our boundless energy, boundless entrepreneurship, and boundless expertise. We are committed to making a difference by pushing through preconceived barriers to deliver a step change with a single-minded focus on the company mission.

OUR VISION

The ingenuity and entrepreneurship of the private sector makes available electricity and desalinated water in a reliable manner to support social development and economic growth of nations.

OUR MISSION

To reliably deliver electricity and desalinated water at the lowest possible cost in our target countries.
**IT’S A FACT**

Acwa Power’s Qurayyah IPP is the world’s largest gas-fired private sector power plant.

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**HIGHLIGHTS**

**Key financial indicators**

- **Earnings per Share – Net Income (SAR)**
  - 2013: 0.94
  - 2012: 0.90

- **Return on Capital Employed**
  - 2013: 6.18%
  - 2012: 6.12%

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**HSE**

- Lost time injury rate reduced from 0.21 in 2012 to 0.07 in 2013

- Plant forced outage rates were 7% for power and 3.5% for water facilities

- 160 Reed houses – the Duineveld township (near Bokpoort) installed with Solar PV panels funded by ACWA Power South Africa as part of CSR

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ACWA Power Barka completed 11 years of operation without a Lost Time Incident
TRADITIONAL FUELS

Use the chemical energy in fuels such as oil and natural gas to convert into thermal energy, mechanical energy then electrical energy.

RENEWABLE ENERGY

Such as Solar, Wind and Hydro power produce electricity without CO₂ emissions.

ACWA Power

AT A GLANCE – POWER

Turkey
- Gas fired plant under development
- 835 MW

Morocco
- Concentrated Solar Power plant
- 160 MWe

Bulgaria
- Photovoltaic Solar plant
- 60 MWp

South Africa
- Concentrated Solar Power plant
- 50 MWe

Jordan
- Power generation
- 1515 MW

Oman
- Power generation
- 427 MW

South Africa
- Coal fired plant under development
- 275 MW

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AT A GLANCE – WATER

OVERALL WATER PLANT

<table>
<thead>
<tr>
<th>Plant</th>
<th>Capacity (m³/day)</th>
<th>Desalination Process</th>
</tr>
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<tbody>
<tr>
<td>Marafiq Jubail IWPP</td>
<td>800,000</td>
<td>Multi-Effect Distillation</td>
</tr>
<tr>
<td>Barka 1 IWPP</td>
<td>91,000</td>
<td>Multi-Stage Flash</td>
</tr>
<tr>
<td>Barka 1 Expansion IWP</td>
<td>45,460</td>
<td>Reverse Osmosis Under Construction</td>
</tr>
<tr>
<td>Petro Rabigh 2</td>
<td>55,000</td>
<td>Reverse Osmosis</td>
</tr>
<tr>
<td>Rabigh IWSP</td>
<td>134,000</td>
<td>Reverse Osmosis</td>
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<td>Shuaibah IWPP</td>
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<td>Multi-Stage Flash</td>
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<td>Shuaibah Expansion IWP</td>
<td>150,000</td>
<td>Reverse Osmosis</td>
</tr>
<tr>
<td>Shuqaiq IWPP</td>
<td>212,000</td>
<td>Reverse Osmosis</td>
</tr>
</tbody>
</table>

Desalination Barges
- 56,000 m³/day
  Reverse Osmosis

OPERATIONAL SPLIT
- 23% from Reverse Osmosis (RO),
- 35% from Multi-Effect Distillation (MED) and
- 42% from Multi-Stage Flash (MSF) facilities.

PORTFOLIO DELIVERED
- 745 MILLION M³ OF DESALINATED WATER IN 2013

PORTFOLIO CAPACITY
- (including in operation and under construction)
- is 2.4 million m³/day

OVERALL WATER PLANT AVAILABILITY 93%

IN 2013

PORTFOLIO DELIVERED
- 745 MILLION M³ OF DESALINATED WATER IN 2013
ACWA Power is a developer, investor, and operator of a portfolio of plants with the capacity to generate 15,977 MW of power and produce 2.4 million m³/day of desalinated water. The portfolio has a gross project cost in excess of SAR 86 billion and provides employment to more than 2,400 people in 9 countries.

ACWA Power was born out of the policy decision by the Kingdom of Saudi Arabia (KSA) to increase private sector involvement in the power generation and desalinated water production sectors to include ownership and operation of assets.

ACWA Power is incorporated in the Kingdom of Saudi Arabia with a paid-up capital of approximately SAR 5.2 billion. It is owned by eight Saudi conglomerates along with Sanabil Direct Investment Company (owned by the Public Investment Fund) and the Saudi Public Pensions Agency.

From our base in Saudi Arabia, ACWA Power expanded into the UAE, Oman, Jordan and further afield to Turkey, Morocco, Bulgaria, China and Southern Africa.

ACWA Power lives by its mission statement – to be the lowest cost producer of electricity and water in a reliable manner and operates the business based on its core values: Diversity, Rigour, Ingenuity, Fairness and Integrity.

Regional offices in
- Riyadh
- Dubai
- Istanbul
- Rabat
- Johannesburg
- Beijing

Employees representing
- 30 nationalities working in more than
- 24 plants spread over
- 9 countries.

Our current portfolio of assets and investments delivers:

**6,357 MW**

Under Construction.

**New capacity of 6,147 MW of power generation, 55,000 m³/day of desalinated water and 2,270 tons per hour of steam capacity is under construction in Saudi Arabia. A 50 MWe Concentrated Solar Power (CSP) plant at Bokpoort in South Africa, a 160 MWe CSP plant at Ouarzazate in Morocco and a 45,460 m³/day water desalination project in Oman are also under construction. An 835 MW gas fired plant in Turkey and a 275 MW coal fired power plant in Mozambique are at an advanced stage of development.**

**The portfolio includes two of the world’s largest sea going barge mounted, self-contained water desalination plants, each capable of producing over 25,000 m³/day of water.**

**ACWA Power operates the largest hybrid desalination plant complex in the world at Shuaibah in KSA – delivering over 1 million m³ of water per day.**

It’s a fact
2013 has been a significant year for ACWA Power in its goal to reliably deliver electricity and desalinated water in bulk at the lowest possible cost. We are continuing to build a sustainable business with a stronger level of geographic diversity to ensure a portfolio balance, and are now well on the way to operating in 9 countries.

Our commitment to delivering on our promises in an environmentally responsible and safe manner is of great importance and I am pleased to see our growing operational footprint recognizes the role which renewable energy can play in fulfilling a segment of demand in a competitive manner. In fact we are showing considerable industry leadership by rapidly reducing the cost of renewable energy: the Makkah PV tariff of SAR 0.45 per kWh and Noor 1 CSP tariff of SAR 0.71 per kWh are significant examples.

Given that we invest a significant amount of capital upfront and collect it back over a twenty to twenty five year period as we deliver electricity and desalinated water, the health, wealth and happiness of the communities and the countries we serve are of paramount interest to us. We go out of our way to maximize value retention in all that we do in the countries and communities in which we operate. From designing plants built with maximum local content, to operating and maintaining those plants with local employees and supply chains, we actively contribute to the development of local people and economies. Our investment in developing a training school for operators and technicians at Rabigh in Saudi Arabia; the construction skill development academy we are planning in Mozambique; and a collaborative research program we are co-funding at Rabat University devoted to creating renewable energy technology in Morocco; are all examples of our commitment.

We recognize the need to build a strong base, comprising both shareholders and customers; and are broadening our customer platform beyond Government owned utility companies to include significant industrial conglomerates like Saudi Aramco, Sumitomo Chemicals, Vale and Anglo American Plc. Equally we have continued to expand our shareholder platform via two Saudi sovereign entities and are working to bring on board a multilateral institution in early 2014.

Our capability and capacity come from the people who make up ACWA Power and we have continued to attract high calibre talent in an increasingly tight global market for professional and technical skills. We pride ourselves on innovation and ingenuity. Innovation is our lifeblood and people who display initiative, entrepreneurship and ingenuity will enjoy a fantastic and fulfilling career with ACWA Power.

I would like to recognize each and everyone in the organisation for their unparalleled hard work, determination, ownership and commitment to help ACWA Power achieve its goals, and confidently look forward to another successful year ahead.

IT’S A FACT

ACWA Power’s desalinated water production is 2.4 million cubic metres per day – which is equivalent to filling 2.4 billion litre bottles of drinking water every day.
INTRODUCING ACWA POWER

In 2004, the Government of the Kingdom of Saudi Arabia decided to increase the role of the private sector in the Saudi economy. The electricity and desalinated water sectors were identified as key areas that could benefit from structuring public private partnerships to enable private sector involvement in the ownership and operation of assets.

The Abunayyan Trading Company and Al Muhaidib Group, two Saudi Arabian businesses, recognized the opportunity that this significant shift in policy offered and so focused on providing products and services to these two sectors, and established a joint venture with another Saudi conglomerate the Mada Group (founded by Al-Raiji Group).

Since then the ownership has extended to eight large Saudi private conglomerates along with two government entities, namely Sanabil Investment Company (Saudi Sovereign Wealth Fund investment arm), and the Saudi Public Pensions Agency. This is testament to ACWA Power’s credibility, success and sustainability.

ACWA Power’s business model was, and still is, to produce and sell bulk electricity and water on long term contracts by developing or acquiring, operating and maintaining electricity generation and desalinated water producing plants. A dedicated team of multidisciplinary professionals at ACWA Power pursues its winning strategy of consistently selecting the optimum technical solution for each specific project, structuring the business case, arranging finance, co-investment capital and managing the project cost in excess of SAR 86.0 Bn.

The current operational portfolio of 18 plants delivers 14% of power and 40% of desalinated water consumed in Saudi Arabia, 12% of power and 17% of water consumed in Oman and 59% of power consumed in Jordan. The portfolio includes a 60MWp photovoltaic power plant in Karadzhalovo, Bulgaria and the world’s only two seaworthy barge mounted, self-contained desalination plants each capable of producing 25,000 m³/day of water currently operating at Yanbu in Saudi Arabia. In addition; 6,147 MW of new generation capacity is under construction in Saudi Arabia; 850 MW is in advanced development in Turkey; 50 MW Concentrated Solar Power (CSP) plant at Bokpoort, South Africa, another 160 MWs CSP plant at Ouarzazate in Morocco and a 45,460 m³/day Reverse Osmosis desalinated water production plant at Barka in Oman.

ACWA Power wholly owns the First National Operation and Maintenance Company (NOMAC) which was established in 2005 and is the leading independent operations and maintenance (O&M) services provider for the power and desalination industry in Saudi Arabia. NOMAC has over 800 employees and is responsible for the operation and maintenance of a portfolio of over 10,000 MW of power generation and 2.2 Million m³/day of desalinated water.

The secret behind our rapid success
By relentlessly focusing on ACWA Power’s mission the company has consistently delivered tariffs which are typically 20 per cent lower (hence better value) than the next competitor.

In the most recent example, ACWA Power delivered a new international benchmark and price level for CSP generated power at SAR 0.71 per kWh for the world’s largest Concentrated Solar Power Plant at Ouarzazate in Morocco. This price is far below the previous lowest international cost of SAR 1.1 per kWh. The company is currently delivering a 3,927 MW Combined Cycle Gas fired power plant in the Kingdom of Saudi Arabia which is the largest Private Power Plant in the world at a tariff that was 16% lower than the second bid.

As lead developer, ACWA Power takes on the responsibility and management of selecting the optimum technical solution for each specific project, structuring the business case, arranging finance, co-investment capital and managing the construction of the plant which is then operated and maintained by NOMAC to deliver electricity and water. The company can only fulfill its mission if it is able to convince all the members of the supply chain to not “market price” their respective inputs but to contribute to the lowest possible cost. By cultivating a mutually supportive trust-based partnership across the entire supply chain on every project (which includes technology providers, engineering, procurement and construction contractors,) the equity investors who co-invest, debt finance providers, insurance service providers and a vast array of consultants and advisors, ACWA Power has consistently delivered on this challenge and will continue to do so in the future.
Focus on sustainability: from climate change to socio-economic development

By consistently delivering on the challenge of reliably producing electricity and water at the lowest possible cost, ACWA Power is leading the focus on sustainability, which in turn means efficiency of resource utilisation and creation of domestic and industrial resource capacity.

Our focus is to deliver electricity and desalinated water and therefore we are fuel agnostic and technology neutral. However we are always mindful of operating in an environmentally responsible manner per World Bank and IFC Standards to ensure compliance with the requirements of the Equator Principles.

The “elephant in the room” for the international power industry is carbon. All pollution reduction plans have a hierarchy of control that starts with “avoid/eliminate” and then moves onto “reduce”. From a power producer’s perspective, carbon emission reduction plans must therefore start by avoiding emissions, which is achieved by harnessing renewable energy sources.

ACWA Power is avoiding emissions by fast-tracking the development of its renewables portfolio and supporting regional projects such as the Desertec Industrial Initiative. This initiative is creating the environment to facilitate the generation of renewable energy in the MENA region not only for domestic consumption, but for export to power hungry yet resource constrained European neighbours across the Mediterranean.

Even more importantly, ACWA Power has been leading the conversation on renewable energy by demonstrating that this energy is cost competitive now even in the oil capital of the world, Saudi Arabia. In January 2013, in response to the first ever utility scale renewable energy tender launched in the Kingdom of Saudi Arabia by the Municipality of Mecca, the company offered the lowest tariff for photovoltaic energy of SAR 0.45 per kWh. To deliver this price using oil as fuel, one would need to provide 3,400 barrel of oil every day for the next 25 years at a price of SAR 169 per barrel, which is a massive subsidy when compared to the world market oil price of SAR 338-375 per barrel. The Kingdom has recognized the role renewable energy can play in its future and has recently embarked on a well publicised fundamental paradigm shift in its domestic energy policy.

ACWA Power is also tackling the second step of reducing carbon emissions by increasing the efficiency of fossil fuel conversion and thermal power generation and hence reducing the carbon intensity of electricity and water production (CO₂ / kWh and CO₂ / m³). The gas fired combined cycle 3,927MW plant at Qurayyah in Saudi Arabia has a world class performance of 390g CO₂ / kWh which is exceptional. But then we beat our own world class performance through reducing carbon intensity by a further 72% at Rabigh 2 IPP, a 3,050MW gas fired combined cycle power plant that has just gone into construction. This plant will emit 359 g CO₂ / kWh, which is a huge 472,000 LESS Tons of CO₂ per year from Rabigh 2 IPP compared with equivalent electrical energy production of Qurayyah, all the while using 8.8% less gas. We are immensely proud of these achievements as they demonstrate our commitment to the environment in a very measurable way.

ACWA Power goes out of its way to maximize value retention in the countries and communities that we serve. From building plants with maximum local content to operating and maintaining plants with local staff and local supply chain and actively contributing to the development of this capacity and capability. To ensure sustainability, ACWA Power also focuses on expanding and nurturing domestic human resource capacity, particularly in the area of power and desalinated water plant operation and maintenance technical capability, so that sufficient local capability is available for the long haul. This reduces our dependence on expatriate skills. One example is our establishment in 2009 of the Higher Institute for Water and Power Technologies (HIWPT) in Rabigh, Saudi Arabia to train local high school graduates as power and desalination operators and technicians. The Institute is already delivering training to more than 600 local people who are employed and sponsored by ten sector partners. The construction skills development academy we are planning in Mozambique to train welders and electrical and mechanical fitters and the collaborative research program we are funding at Rabat University in Morocco to originate renewable energy technology are further examples of our commitment.

The future

ACWA Power has already brought on line and is operating the largest desalination plant complex in the world at Shuaibah in Saudi Arabia, delivering over 1 million m³ per day of water and is well advanced with construction of the 4,000MW gas fired power plant at Qurayyah in Saudi Arabia which is the largest privately financed power plant in the world. Without doubt the most interesting project the company has embarked on in 2013 is the 160 MW CSP plant with 9 hours of storage at Ouarzzate in Morocco. This is one of the largest such plants being contemplated in the world with this technology. We are also excited about the 50 MW CSP plant with 9 hours storage at Bokpoort, South Africa, which has the longest duration of solar power storage for a CSP trough plant being considered in the world. Both CSP plants are under construction.

Continuing to expand human resource capacity and focusing on continuously improving our operational capability, ACWA Power is well on the way to delivering its target of co-owning and operating a portfolio of assets to generate 38,000MW of power and produce 5 million m³/ day of desalinated water by 2018 and to be generating 10% of its electricity with renewable energy. All this while maintaining the focus on reliably producing electricity and desalinated water at the lowest possible cost.
ACWA Power Projects formed in line with the launch of Saudi Arabia’s privatization program for water and power sector

ACWA Power International formed with SAR 2.9 Bn capital and takes over ACWA Power projects.

Financial close of Shuqaiq and Marafiq IWPPs

Successful bid and financial close of Rabigh IPP

Shuaibah Expansion IWP is added to the portfolio

Successful bid for Shuqaiq IWPP and Marafiq IWPP

Barka 1 IWPP – successful bid for acquisition of 50% stake

Successful bids for Shuaibah IWPP and Petro-Rabigh IWSP in just the first 6 months of commencement in Saudi Arabia

Bowarege and Petro-Rabigh IWSP achieve PCOD in 2008
Signed a joint development agreement for the Kirikkale Combined Cycle Gas Turbine project in Turkey

Signed the Power Purchase Agreement for the largest gas fired Independent Power Project in the world - Qurayyah IPP

Closed the first Corporate Murabaha Facility of SAR 1.1 Billion

(2011) CEGCO (Jordan) acquisition transaction closed.

Additional acquisition of 35% of NOMAC

Barka 1 IWPP transaction closed and successfully integrated

Acquired a 42% controlling stake in a 60 MWp PhotoVoltaic plant in Bulgaria

Increased the effective stake in CEGCO

Signed WPA for the expansion of Barka 1 IWPP’s water desalination capacity by 10 MIGD

Signed Project Development and Shareholders Agreement for a 275MW captive coal fired Plant in Mozambique

Preferred bidder for the 50MWe Bokpoort CSP IPP in South Africa

Financial close of Qurayyah IPP

Preferred bidder for the 450 MW Khanyisa CFB coal fired captive power plant South Africa

Signed PPA for the WORLD’s LARGEST SOLAR CSP PLANT – Noor 1 (160 MWe) in Morocco

Signed Development Agreements for the 160MW, 55,000m³/day Phase 2 of the Petro Rabigh IWSSPP in Saudi Arabia

Successful bid and financial close of Rabigh 2

Closed the second Corporate Murabaha Facility of SAR 1.775 Bn

Achieved financial close of Ouarzazate (Noor 1) CSP in Morocco

Rabigh IPP commenced commercial operations

Refinanced Bowarege floating barge mounted desalination plants

Preferred bidder for Makkah Solar 100 MWpv bid in Saudi Arabia

Started construction of Qurayyah IPP

• Achieved financial close of Qurayyah IPP

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OUR BUSINESS MODEL

SUPPORTING A GROWING, PROFITABLE AND INCREASINGLY DIVERSE PORTFOLIO

Growth & Development,

Greenfield Competitive Bid, Acquisition, Due Diligence, Technology Appraisal, Owner’s Specifications, Health, Safety and Environment Standards, Engineering, Procurement and Construction (EPC) and Original Equipment Manufacturers (OEM) Partners, Financing Cost Model, Bid & Transaction Management, Bid Submission, Acquisition Completion,

Planning, Talent Development & Retention, Governance, Ethics, HSE, Corporate Responsibility and Sustainability, Accounting, Management, Reporting

Construction & Commissioning, Transition, Operations & Maintenance, Revenue, Compliance, Risk & Insurance, Assurance, Performance Monitoring

Sustainable Portfolio Performance

Strategy & Mission

Socio Economic Development

Growth & Development,
<table>
<thead>
<tr>
<th>Project status</th>
<th>Number</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operational</td>
<td>18</td>
<td>Shuaibah Expansion IWP, Shuaibah IWPP, Petro-Rabigh IWsPP, Bowarege, Marafiq IWPP, Shuqaiq IWPP, Barka 1 IWPP, Karadhalovo PV IPP, Rabigh IPP, 9 CEGCO Power Plants in Jordan</td>
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<tr>
<td>Under construction</td>
<td>6</td>
<td>Qurayyah IPP, Barka 1 Expansion IWP, Bokpoort CSP IPP, Noor 1 CSP IPP, Rabigh 2 IPP, Petro-Rabigh 2 IWSP</td>
</tr>
<tr>
<td>Advanced Development</td>
<td>4</td>
<td>Kirikkale CCGT IPP, Moatize IPP, Khanyisa IPP, Makkah Solar</td>
</tr>
</tbody>
</table>
The overall power plant availability was 90% for the year 2013 which is marginally higher than the availability figure of 89% for 2012. In aggregate, 55% of the electricity was produced using natural gas and the remaining 45% came from heavy fuel oil.

Reverse Osmosis Technology:

- The Bowerage barge mounted and Shuaibah IWP water desalination facilities are located on the west coast and were the first water plants that ACWA Power developed entering commercial operation in 2008 and 2009. Both plants use reverse osmosis technology, with Shuaibah IWP having a capacity of 150,000 m³/day and the Barges 50,000 m³/day of desalinated water.

- Overall the split in desalination technology across the portfolio is 23% from Reverse Osmosis (RO), 35% from Multi-Effect Distillation (MED) and the remaining 42% coming from Multi-Stage Flash (MSF) facilities.

The Barka 1 IWPP is located north of Muscat in Oman and was acquired by ACWA Power in 2010. The facility has a remarkable safety record of no lost time injuries since commissioning in 2002.

In July 2011, ACWA Power acquired the controlling share of the Central Electricity Generating Company (CEGCO) which was formerly the Jordanian national utility. The portfolio of seven fossil fuelled and two renewable plants has a total installed capacity of 1,515MW. The largest plants include the Aqaba Thermal Power station with a capacity of 656MW, the Rehab combined cycle plant with 350MW and Hussein Thermal Power Station with 313MW.

Quarrayah IPP, 3,927MW, and Rabigh 2 IPP, 2,060MW, are both gas fired and under construction with scheduled commercial operations dates of June 2014 and June 2017 respectively. These two plants each in turn progressively pushed the regional efficiency and carbon intensity benchmarks and will deliver electricity with the lowest CO₂/MWh across the Middle East.

The final, and fastest developing, segment of the portfolio is the renewable power stations. ACWA Power entered the utility scale photovoltaic market in June 2012 by acquiring the 60MWp Karadzhalovo plant located in Polvdiv, Bulgaria.

ACWA Power currently has a pair of concentrated solar power (CSP) projects under construction. The Noor 1 project is located in Ouarzazate, Morocco and will generate 2.4% of power needs of Morocco using CSP parabolic trough technology. The 160 MW Noor 1 CSP has 3 hours of thermal energy storage to allow the project to meet the evening peak demand. The Bokpoort CSP, the second project, is also under construction near Upington, in South Africa. Bokpoort CSP has a smaller capacity of 50MW but has been designed to include a substantially increased thermal storage facility. The thermal storage will enable the plant to continue to produce electricity for up to 9 hours after sunset. In winter this will ensure that the plant meets the national peak demand in the early evening and in summer the plant will act as a base load facility by generating electricity around the clock.
NOOR 1, THE WORLD’S LARGEST CSP IPP (160 MWe) IS UNDER CONSTRUCTION IN THE KINGDOM OF MOROCCO
COMMITMENT TO RENEWABLE ENERGY

Targets

Saudi Arabia 2032 targets
• 41 GW Solar (16GW PV+25 GW CSP)
• 17 GW Nuclear
• 9 GW Wind
• 3 GW Geo-thermal
• 1GW Waste to Energy (WTE)

Morocco
• 850 MW Wind projects across 5 locations in Morocco being tendered by ONE
• 300 MW including 100 MW (Central Tower) and 200 MW (Parabolic Trough) under Noor Phase II

Jordan
• Plan to establish up to 1,000 MW worth of renewable energy projects across Jordan over 2014 – 2018; 272 MW Wind and 200 MW PV currently under procurement

South Africa
• 3,725 MW REIPP Program (CSP, PV and Wind), has been increased by another 3,200 MW by 2020

Building the track-record

ACWA Power acquired two wind power stations as part of CEGCO’s portfolio, with a combined capacity of 1.45 MW

ACWA Power acquired a 60 MWp Solar PV IPP in Bulgaria

50 MWc Bokpoort CSP in South Africa under the South Africa Department of Energy’s Renewable Procurement Program is under construction

Noor 1, the world’s largest CSP IPP (160 MWc) procured by MASEN under Competitive Renewable Procurement in the Kingdom of Morocco is under construction

ACWA Power marks maiden foray into the world of Waste to Energy (WTE) by acquiring Bioservis Benesov (BSB) plant in Czech Republic (One of the two WTE AD plants commercially operating in the world)
A prime focus area for ACWA Power is the ever increasing burden on the environment of greenhouse gases.

ACWA Power strives to improve its own benchmarks; and the recently won Rabigh 2 IPP project is another feather in the cap.

An installed capacity of 2,050 MW comprising of 6 Gas Turbine Generators, 6 Heat Recovery Steam Generators and 3 Steam Turbines yields a net efficiency of 57%; which will be the best in the MENA region once operational.

Compared to a similar sized plant such as Qurayyah IPP which is under commissioning, Rabigh 2 IPP will emit 472,000 less tons of CO2 into the atmosphere every year.

**Shuaibah Sea Water Reverse Osmosis (RO) plant expansion**

The decision to supply a Sea Water Reverse Osmosis plant of 33 Million Imperial Gallons Per Day (MIGD) capacity for the Shuaibah Expansion alongside existing thermal desalination using Multi Stage Flash Technology of 195 MIGD capacity is a groundbreaking decision from both a cost and environmental perspective.

Thermally produced desalinated water is a co-generation product from a combined cycle gas turbine (CCGT) power plant. MSF desalination consumes 150 MJ for production of one cubic metre of desalted water. Using natural gas, 150MJ of energy is equal to 2.975 kg of natural gas which generates 8.18 kg of CO2 per cubic metre of desalinated water production.

However, a large scale RO Desalination plant consumes electrical energy equivalent to 34MJ Thermal energy for one cubic metre of desalinated water production which is equal to 0.668 kg of natural gas and equivalent to 1.84 kg CO2 per cubic metre of water production.

**ACWA Power CO2 Emissions: 2013 and 2012**

<table>
<thead>
<tr>
<th></th>
<th>Total production from ACWA Power Assets</th>
<th>ACWA contribution based on shareholding ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
<td>2012</td>
</tr>
<tr>
<td>Electricity delivered</td>
<td>GWh</td>
<td>55,469</td>
</tr>
<tr>
<td>Water Delivered</td>
<td>Mn³</td>
<td>744</td>
</tr>
<tr>
<td>CO2 emissions arising out from electricity and water production</td>
<td>Million tonnes CO2</td>
<td>44</td>
</tr>
</tbody>
</table>

ACWA Power is using a new generation energy recovery device (ERD) which is based on pressure exchange technology. This is the first time it has been used in the Kingdom. It is the most advanced device available in terms of energy efficiency. With this installation Shuaibah Plant is saving 0.34 MJ per cubic metre more of desalinated water production than previous versions. CO2 generation is reduced by 0.018 kg per cubic metre of water production. Although the figure looks small, 1000 less tonnes of CO2 is emitted to the atmosphere every year. Another example of environmentally friendly, advanced and proven technology.

Now all ACWA Power’s projects are based on RO desalination or hybrid solutions and we implement proven innovative solutions such as isobaric technology for sustainable energy efficiency and reduced carbon footprint.
ACWA Power's Corporate Responsibility programme gathered momentum and extended its reach during the past year. Our key objective is the support of local and regional communities by improving their technical skills and employability of their people.

ACWA Power’s flagship project remains the Higher Institute for Power and Water Technologies (HIWPT) which is achieving its goal of encouraging young Saudis to start careers in the power and water sector. Currently HIWPT is operating at a capacity of 590 trainees drawn from 10 local companies. In May 2013, HIWPT was awarded the Al-Hariri Best Arab Training Institute for Operations and Maintenance training. Further recognition of the success of this Operations and Maintenance training. In May 2013, HIWPT was awarded the Al-Hariri Best Arab Training Institute for Operations and Maintenance training. Further recognition of the success of this Operations and Maintenance training.

Further recognition of the success of this partnership project is the planned expansion and construction by the Saudi Arabian governmental Technical Vocational Training Corporation (TVTC) of a 40,000m² campus with trainee and teacher accommodation.

In addition, ACWA Power continued to participate in and support several regional NGOs and academic institutions including the Saudi Water & Power Forum; King Abdullah University for Science and Technology (KAUST) Industrial Advisory Board; the KAUST Center for Industry Affiliates Program (CIAP); the Emirates Environmental Group; Global Water Intelligence; the Arab Forum for Environment and Development (AFED); Dii and the Desertec program and the Middle East Desalination Research Centre (MEDRC).

At a regional level, one of our subsidiaries, the Shuaib Water and Electricity Company (SOWEC), donated SAR 3M to the Disabled Children Association for the construction of a general farm workers and training for middle and semi-skilled candidates for 24 months in welding, electrical and boiler-making. A local Technical Training Centre in Groblershoop will deliver technical training for semi-skilled and unskilled candidates covering welding, electrical and basic hand skills for 30 candidates over a period of 12 months. They will also provide farming courses for general farm workers and training for middle managers to enhance their agricultural and management skills. Finally, a bursary scheme has been established for three school leavers from the Kheis Municipality to study Engineering, Environment Health & Safety and Human Resources.

ACWA Power Oman and the Barka team initiated a beach cleaning campaign that resulted in 75 volunteers cleaning six kilometres of local public access beaches. The initiative successfully increased the awareness of local children and their parents about the importance of environmental management and avoiding littering. The Barka team also established a paper recycling project with the regional government schools. The project provides dedicated containers to more than 25 schools for use by 2,000 Omani students and has resulted in 16.8 tonnes of papers being recycled to date.

CEGCO Jordan has a well established Corporate Social Responsibility program that annually disburses USD100,000 to deserving projects and organisations. Priority is given to supporting the Al Hashemiah and new Rehab municipalities in which our power plants are located; and those associations concerned with the environment. In addition, support was extended to the SOS Children’s Village in Aqaba; and to local school children via a Back to School Campaign that distributed backpacks; research and conferences held by the Jordanian universities and professional associations; medical days in Rehab region and blood donation campaigns; and donations to organizations that care for underprivileged, orphaned and disabled individuals throughout Jordan.

**King Abdullah University for Science and Technology**

KAUST is one of the Kingdom’s power houses of innovation and fundamental research. ACWA Power is a founding member of the university’s Industrial Advisory Board which is made up of key international technology organizations who guide the institution’s R&D focus and growth strategy.

**Arab Forum for Environment and Development**

AFED is the principal NGO focusing on prudent environmental policies and programmes across the Arab region. ACWA Power has been a corporate member for three years and supports AFED by arranging and hosting events and participating in the annual research and conference.

**ACWA POWER CAN GENERATE MORE ELECTRICITY THAN EACH OF THE FOLLOWING COUNTRIES; ALGERIA, BAHRAIN, IRAQ, KUWAIT, LIBYA, MOROCCO, OMAN, QATAR, SYRIA, TUNISIA AND YEMEN.**
ACWA Power has set corporate responsibility and sustainability (CR&S) as a primary objective. The socioeconomic benefits of producing affordable desalinated water and electricity in an environmentally responsible and reliable manner aligns with our business model now and in the future.

ACWA Power’s approach to CR&S is to follow international best practice and develop a customised programme to address issues which are significant and relevant to the business and stakeholders. In February 2010 ACWA Power adopted a Corporate Commitments policy as the cornerstone for developing an integrated management system to guide the CR&S program.

ACWA Power material issues cover the full triple bottom line of economic, social and environmental risks and opportunities, so that ACWA Power considers people, planet and prosperity in everything it does.
ACWA Power’s scope of operational and construction sites has increased from nine in December 2011 to 24 at the end of 2013 and consequently the manhours worked in our offices, by our subsidiaries and our contractors has increased from 22 million manhours to 35 million manhours. There were no Health, Safety and Environmental (HSE) charges, fines or prosecutions during 2013 which shows a good continuation of the progress being made on HSE management.

Overall our projects under construction are meeting and beating the majority of our corporate HSE targets while the operational sites have significantly improved. During 2013, a total of 52 reportable incidents occurred comprising of 13 Lost Time Incidents (LTI), 16 environmental incidents and 23 dangerous occurrences. The majority of the safety LTI’s occurred during the first half of the year at the Jordanian sites and recent efforts and performance has reversed the trend in that country. All of the environmental incidents were contained on site and mitigated without any permanent impact. There was one environmental non-compliance that occurred at the Jubail Marafiq IWPP due to air emissions exceeding permitted levels. The Royal Commission for Jubail and Yanbu, the governing authority, was informed and is monitoring the situation.

ACWA Power, its subsidiaries and invested companies employ a total of 70 staff with HSE responsibilities who are deployed at corporate offices, operational sites and construction sites. Two HSE workshops for HSE Managers and Officers from all our sites were held in Barka, Oman and Aqaba, Jordan during 2013. These workshops enabled attendees to share best practices and processes. ACWA Power Corporate HSE has undertaken more than 30 HSE audits of operational and construction sites. This was supported by 16 HSE audits undertaken by independent third party auditors.

The leading indicators of HSE management show marked improvement at operational sites in near miss reporting and HSE inspections & tours. An HSE Action plan has been developed to support the continued improvement of the priority issues as identified by the group’s HSE personnel during the HSE workshop in Aqaba. The focus for 2014 will be on HSE leadership and culture, process safety, HSE tours and near miss reporting.

HSE standards are actively managed throughout the business development process such that all Environmental Social Impact Assessments (ESIAs) are undertaken by independent and competent ESIA consultants using World Bank-International Finance Corporation plus other relevant International Financial Institutions Environmental & Social standards and local legislation as the benchmark. This is a mandatory requirement to ensure and enable Equator Principle compliant/signatory lenders to be able to provide project financing.

<table>
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<tr>
<th>Location Type</th>
<th>Total</th>
<th>Office</th>
<th>Operational</th>
<th>Construction Site</th>
<th>Total</th>
<th>Office</th>
<th>Operational</th>
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<td>Hours Worked</td>
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<td>541,800</td>
<td>8,562,852</td>
<td>26,683,771</td>
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<td>361,800</td>
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<td>0</td>
<td>0</td>
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<td>Lost Time Injuries</td>
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<td>0</td>
<td>11</td>
<td>2</td>
<td>35</td>
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<td>0</td>
<td>17</td>
<td>6</td>
<td>8</td>
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<td>4</td>
<td>14</td>
<td>8</td>
<td>1</td>
<td>4</td>
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<td>32</td>
<td>22</td>
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<td>–</td>
<td>0.75</td>
<td>0.16</td>
<td>0.31</td>
<td>1.11</td>
<td>1.46</td>
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LEADERSHIP TEAM
LEADERSHIP TEAM

BOUNDLESS EXPERIENCE

Paddy Padmanathan
President & CEO
Past Experience
- Managed a Concessions and Utility Outsourcing Business group at Black & Veatch
- Engineering Graduate, University of Manchester

Thamer Al Sharhan
Managing Director
Over 30 years of experience. With ACWA Power since 2013.
Past Experience
- CEO & President, Power & Water Utility Company for Jubail & Yanbu (Marafiq)
- President, Saudi Petrochemical Company (SADAF)
- President, SABIC Terminal Services Co.

Rajit Nanda
Chief Investment Officer
Over 19 years of experience. With ACWA Power since 2009.
Past Experience
- CFO, Middle East, Asia & Africa at GDF Suez Energy International
- Manager at IFCI Limited
- Worked as a consultant for Anderson Consulting for one year
- MBA from Xavier Institute of Management, India

Kashif Rana
Chief Financial Officer
Over 13 years of experience. With ACWA Power since 2009.
Past Experience
- Director Project Finance at Aqualyng AS
- CFO Middle East at AES Corporation

Mrinal Sengupta
Vice President, Assets Management
Over 43 years of experience. With ACWA Power since 2010
Past Experience
- Senior advisor to Water and Electricity Company (WEC) for five years
- 22 years at Saline Water Conversion Corporation (SWCC) – with last role as Specialist Engineer

Thomas Altmann
Vice President, Technology
Over 20 years of experience. With ACWA Power since 2013.
Past Experience
- EVP, Energy & Desalination of ILF Consulting Group, Germany
- MD, ILF Business Consult, Germany
- Vice President, Bechtel Power Corp., USA/UK
Teegan Lindsay  
**General Counsel, Projects**  
Over 13 years of experience. With ACWA Power since 2011.  
**Past Experience**  
– Senior Vice President, Abraaj Capital for 3.5 years  
– Project Lawyer at Allen & Overy for 6 years  
– Masters from Kings College London in Construction Law and Arbitration

Steve Ashby  
**Vice President, People and Infrastructure**  
Over 35 years of experience. With ACWA Power since 2013.  
**Past Experience**  
– Managing Director -Vivoteq (Middle East) LLC  
– Managing Partner – Appelion Consulting FZC  
– Regional HR Director CAMEA.- Compass Group PLC  
– MSc in Business Leadership

Abbas N. Abdullah  
**General Counsel – Corporate**  
Over 25 years of working experience. With ACWA Power since 2006.  
**Past experience:**  
– Senior Legal Consultant at Saudi Electricity Company-KSA.  
– Legal Affairs Manager at a leading Saudi Pharmaceutical & Medical equipment Company.  
– Legal Counsel at Saudi Telecommunication Ministry (Tenders & Contracts Dept.)  
– Legal Counsel at the General Attorney Bureau (Ministry of Justice – Sudan)

Manish Madhok  
**Director, Group Internal Audit & Risk Management**  
Over 15 years of experience. With ACWA Power since 2009.  
**Past experience**  
– Head Internal Audit, Goodyear India Limited  
– Manager Internal Audit for Tupperware Brands Corporation, US  
– Worked at Ernst & Young, KPMG and Deloitte at various levels  
– Chartered Accountant (India), Certified Enterprise Risk Manager (UK) and Certified Internal Audit Quality Assessor (US)

Julio Torre Gutierrez  
**Managing Director, NOMAC**  
Over 25 years of experience. With NOMAC since 2010.  
**Past Experience**  
– General Manager Business Development/ Business Unit – Duke Energy International  
– Senior Engineering Consultant – DESI  
– Licensing Engineer – Duke Power Company

Chris Ehlers  
**Business Director, Southern Africa**  
Over 15 years of experience. With ACWA Power since 2012.  
**Past Experience**  
– Managing Director at Siemens Energy Renewables, UK  
– Director Procurement & Logistics at Babcock Borsig AG  
– Board Member at Renewable UK  
– MBA from Instituto de Empresa, Madrid and Mechanical Engineering degree from Germany

Badis Derradji  
**Country Manager, Morocco**  
Over 25 years of experience. With ACWA Power since 2012.  
**Past Experience**  
– CEO of New Energy Algeria for five years.  
– 8 years at Algerian Energy Company and Sonelgaz – with last role as Projects Director  
– Member of SolarPACES  
– Electrical Engineering degree from Algeria

Young-Chul Kim  
**VP & Chief Representative (China & Korea)**  
Over 34 years of experience. With ACWA Power since 2006.  
**Past Experience**  
– Vice President at Doosan Heavy Industries  
– President at Shada Industrial E&C Services Co., Ltd. (Saudi Arabia)  
– Studied Business Administration and Economics at Sogang University, Seoul, Korea
We celebrated with pride and satisfaction our ninth anniversary in 2013. With those early years of bidding for contracts and getting plants built behind us, we have evolved into a full-fledged developer, investor and operator of electricity generation and desalinated water producing plants – with a growing portfolio of assets in operation, under construction, in financing, or in planning.

Of course, this also means we have to face an expanded set of challenges, the most important of which is ensuring and maintaining a health, safety and environment (HSE) track record that meets our exacting standards and those of our international investors and partners. While our HSE performance during 2013 showed continued improvement over prior years, establishing a strong HSE culture is a continuous search for excellence which will remain a priority work in progress.

We have established an unblemished track record of developing and managing the construction of multibillion dollar capital projects on time and within budget, without tapping into the available contingency and stand-by facilities. We question relentlessly every element of cost that goes into a tariff. As a result, we manage to come in at around 20% lower than our competitors.

By paying more attention to detail in the planning and development stage, we do things cheaper, we do them better, and we give our customers more value for money.

Exciting new developments

In 2013, we had our biggest successes yet in the fast growing world of renewable energy business, by successfully closing two concentrated solar power (CSP) plants. Each of them is ground-breaking. The first, in Ouarzazate, Morocco, was contracted at a tariff almost 30% lower than the next bidder and in the process established a new benchmark for what had been achieved till then in respect of CSP tariffs worldwide. Because a CSP plant can store heat economically, CSP has an inherent advantage over photovoltaic solar power. This tariff benchmark will in turn boost the demand for CSP projects globally.

The second is the Bokpoort plant in the Northern Cape Province of South Africa which will provide a little over nine hours of thermal energy storage, the longest such period of storage for CSP plants of that class in the world. The plant, which is now under construction, will have a net generation capacity of 50MW.

In January 2013 we were awarded a contract to build the Kingdom of Saudi Arabia’s (KSA) first super critical oil-fired power plant, Rabigh 2. In April 2013, the day before we were due to close the financing, the government took the strategic decision to switch the fuel to gas as part of its plan to put oil to more valuable alternative uses. While this is clearly the correct decision for the country it was also a setback for us and a challenge for this project. However, we immediately started working with our partner Saudi Electricity Company (SEC) to reconfigure the plant as a gas-fired plant. We completed the financing of this restructured 2,050MW plant in December 2013 and the Rabigh 2 plant is now under construction. With a fuel consumption efficiency of 58%, it will be the most efficient power plant in KSAs electricity generation portfolio.

Challenges dealt with

As hard as we try to deliver power and water as reliably as possible, machines will fail, and people will make mistakes. In our industry, the adage that ‘everything that can go wrong will go wrong’ unfortunately holds true. When this is the case, we strive to act quickly and make sure our customers suffer the least downtime, extra cost, and pain.

We own the only two industrial scale barge mounted desalination plants in the world, each capable of producing 25,000 cubic metres per day. They are currently contracted to operate at the industrial city of Yanbu in KSA. In September 2013 there was a major fire incident on one of our desalination barges. While the damage was extensive due to the nature and extent of the fire fortunately there were no injuries. Although this one barge is out of action undergoing refit, we have taken all possible mitigation measures to meet our customer’s needs including tapping into the insurance cover.

In the month of September 2013, the water, steam and power plant serving Petro Rabigh, the largest petrochemical complex in the Gulf region, suffered an unplanned outage. As this was unfortunately the second such incident within a one year period, the customer exercised its contractual rights to issue a termination notice under the offtake arrangement. While we are a minority shareholder in this plant, we are actively working with our co-shareholders to restructure the shareholding and O&M arrangements, in addition to proposing capital expenditure towards plant improvements.

Whilst negotiations are ongoing, we have convinced the customer to put aside the termination notice and permit us to complete the residual term of the contract.
In late November, severe torrential rain brought a temporary halt to the construction of the Qurayyah 4,000MW combined cycle gas-fired power plant, which when in operation will be the world’s largest independent Combined Cycle Gas Turbine power plant (CCGT). Given our core values and track record of commitment to obligations, and the importance of this power plant to the Saudi Grid, we are working with our construction partner to deliver to the contracted time schedule.

A year of solid financial performance delivered by our people
In spite of these challenges, our ability to successfully translate new opportunities into projects which are now under construction while maintaining the operational efficiency of our solid platform of operating assets, has enabled us to end the year performing better than budget. All credit for this superior performance goes to our people who continue to demonstrate boundless energy, enthusiasm and entrepreneurship.

A sound financial footing
We continue to enjoy excellent relationships with our finance partners – they have come to recognize that we always do what we say we are going to do. In 2013, in addition to large amounts of project specific capital raising and innovative refinancing of significant value we also managed to put in place our first local currency (Saudi Riyal) revolver facility – a Shariah compliant five-year facility for SAR 1.775 billion at very competitive pricing, which is another testament to the maturity and stability of our business.

A widening shareholder base
Until the end of 2012 we were owned by eight private Saudi conglomerates. In January 2013 two new Saudi institutional shareholders – the Saudi Public Pension Agency and Sanabil Direct Investments Company (owned by the Public Investment Fund) – injected cash to acquire a combined stake of 17.2%. Having these public shareholders on board not only reinforces our standing but also enhances our credibility.

No shortage of opportunities
Our main focus is on the countries in the GCC region, Jordan, Egypt, Turkey, and Morocco and in four countries in Southern Africa. Across these diversified geographies, demand is growing each year at around 7% on average. Everyone understands the importance of keeping pace with demand, but all are concerned about reducing the cost of power generation. Much can and is being done to reduce energy intensity and reduce wastage on the consumption side. As a producer of electricity and desalinated water, the opportunities for us lie in generating power and producing desalinated water more efficiently and utilizing a broader mix of fuel resources as alternative sources of energy become more cost competitive.

Saudi Arabia’s move away from oil-fired power generation is a sure sign that the whole world can expect to see the fuel mix become more diverse. The cost of renewable energy has come down significantly, and we can now price solar and wind power much more competitively. In 2013, we bid for a contract to build a photovoltaic solar power plant supplying 100MW to the city of Makkah. This contract hasn’t been awarded yet, but we offered the lowest tariff by far. We look forward to securing this project and commencing construction in 2014.

Also in 2014 we expect to see the launch of the first solar/gas hybrid plant IPP in Saudi Arabia. In Morocco and South Africa we expect to see larger solar and wind plants being tendered. We expect to achieve financial close and commence full construction of the first large IPP in Mozambique, a coal fired power plant for the international mining giant, Vale S.A of Brazil. We are also are looking forward to commencing construction of a combined cycle gas fired power plant. This tenth anniversary year will also likely see us putting our footprint into South East Asia, a challenging new geographic zone. We can thus look forward with pride and confidence to yet another exciting year.
The Kingdom of Saudi Arabia had been using about one third of the oil it produces to fuel power generation and water desalination plants. The proportion was expected to rise to 80% over the next 15 years, until the government stepped in and outlawed this use of oil. So a big move to more efficient conventional fuel plants and renewable energy plants is inevitable. And with demand growing strongly each year at around 10%, there are both opportunities and challenges.

As an established national utility we’re well placed to take advantage. We’re already known for our innovative plant configurations, high levels of fuel consumption efficiency, and competitive tariffs. But being involved in groundbreaking projects in other countries means we can bring new expertise back to the Kingdom. We expect to build our first solar power plant here soon.

Saudisation
We take our role in Saudisation seriously. (Saudisation is the Kingdom’s policy of encouraging private sector employers to take on Saudi nationals.)

In 2009 we led and financially backed the establishment of the Higher Institute for Water and Power Technologies in Rabigh. The institute trains Saudi school-leavers for places in the industry and prepares them for the workplace. The first 212 people will complete the two and a half year programme in January 2014.

When looking for partners in the KSA, we give priority to Saudi companies, but only if they can perform as well as competing overseas companies. We expect the best, after all.

We do, of course, work with some of the leading international players, like GE and Siemens. We’ve brought these new partners to the Kingdom, together with their investment and expertise.
How do we manage to fund our projects when there’s less money around today? By structuring our projects well. If we do that, we’re confident we can access the money we require.

It all comes down to the ingenuity we bring to each project, and the trusting, supportive relationships we build with our customers and partners.

Ingenuity

Coming up with innovative solutions is at the heart of what we do. Whether it’s the technology we use, the financing package we put together, or the way we allocate risk, we look at each area at the start of a project with a fresh pair of eyes. And it means we find the cost competitive solution time after time.

Take the Noor 1 project, as an example. We can offer a substantially lower tariff because of the way the plant will handle the supply of electricity to the grid during peak and off-peak periods.

Trust and support

We rely on mutual trust and support when it comes to dealing with our customers and partners. The projects we take on are long term, so it’s critical everyone works together in an open, honest and committed way.

For example, in the Moatize project the customer had to award the contract before all the parameters of the project were known. If they chose the wrong company, they ran the risk of being taken advantage of at a later stage. We were able to show them we were the right type of company to work with.
We take our duty of care for our employees very seriously and creating a sense of fair value for our employees is a priority.

Getting the right people
We’re operating and maintaining plants now, not just planning for and building them, so we need a bigger mix of people, with different skills and experience. And we’re setting up in more and more countries, so we have to deal with new laws, expectations, customs, cultures and different ways of doing things. These are exciting times, but challenging times, too.

We use sophisticated recruitment tools to find the right people from around the world. But the pool of suitable people is often small, and the competition for them fierce – especially in the relatively new field of renewable energy.

Asking them to relocate to the remotest places where we build our plants makes the job harder. Take our Bokpoort solar power plant in South Africa, for example. Its location in the Northern Cape province might mean endless summer days as it has some of the highest levels of solar irradiation in Africa, but it’s a long way by road from Johannesburg. Tete in Mozambique is the closest town to our Moatize project. On the banks of the Zambezi, little has changed. The minimal infrastructure poses unique problems for attracting professional engineers and technical people we need to execute the project.

Finding local people to operate and maintain our plants over many years is also tough. Elsewhere in this report Chris Ehlers talks about the challenges of the Moatize project and what we plan to do there.

Keeping them
We have a major responsibility to our people on the ground, particularly those in remote locations. We pay close attention to their well-being, and are prepared to pull out all the stops if need be.

We also provide all our employees with opportunities to grow their skills and broaden their business experience. The people in our offices are equally important in terms of driving our phenomenal growth.

More generally, from an infrastructure point of view, we make sure our business is flexible enough to cope with the fast growth it’s experiencing. This doesn’t mean adding more people for the sake of it. It means building as much automation into our systems and processes as possible to free people up for the more important things. We constantly review our organisational structure to make sure each project has exactly what it needs to be successful. And that the core of our business is robust enough to absorb the pressure of rapid growth.

We have organisation wide principles in place to make sure treatment of people, management responsibilities, leadership styles, personal development opportunities, remuneration and recognition are consistent across our geographies. At the same time we develop local policies adapted to local conditions – then people feel more comfortable. Alignment of effort is essential and this is an important way to achieve it.

We work hard to create the right atmosphere in all our offices through treating everyone with dignity and respect. When the going gets tough because of the pressure of tight deadlines, it’s critical that people feel valued.
Our standard business model is now to take a significant stake in each new project we get involved with. Taking control means more work – but it also means more upside. It’s what sets us apart from our competitors.

The development phase
We’re hands on from the start. As the majority shareholder in the project company set up to bid for a contract, we can appoint the main directors. We know from experience that the project will then be less risky for us. We’ll get to find out about issues as soon as they come up, and can then deal with them faster and more cheaply. It’s also easier for us to share the lessons we’ve learnt from building and operating plants so that each bid is fine-tuned and as competitive as possible.

The construction phase
At the start of the construction phase we run a workshop with the project company and our business development team. It’s here we set out our exacting standardised policies, procedures and expectations to make sure this phase gets off to the best possible start. We set targets, and expect the project company and the EPC contractor to hit them.

We get a report from each plant every day. Arguably we get too much information. But it simply means we keep on top of the project, and can make sure deadlines, budgets and quality levels are met.

Paddy Padmanathan mentioned the downpour at the Qurayyah plant. Around 80cm of rain fell, and lots of critical machinery got submerged. But we didn’t wait to find out exactly what damage there was. Instead, we went ahead and reordered lots of kit as a precaution, and this action helped us keep on track.

The operating phase
This final phase is perhaps the most challenging, if only because it’s the longest. The choice of the operation and maintenance (O&M) contractor is crucial.

We’ve got our own O&M subsidiary, called NOMAC. We insist it’s the sole, or at least the senior, O&M contractor at each of our plants (in some countries you have to take on a local company by law). This means operations can start much faster, and the quality stays consistent across our portfolio of assets.

NOMAC works to several ISO standards and has strict governance in place. We look at every single risk – real or perceived – and agree a mitigation plan with NOMAC. We carry out audits to make sure they do exactly what they’re supposed to do. And when necessary, we hire an external agency to do extra work.

We also make sure NOMAC and the off-taker (the end user of the power or water) talk to each other so that they understand each other’s expectations, and problems are avoided.
Over the last decade, the GDP of Southern African countries has grown by more than 5% annually. However, every day, the countries in that region face an estimated power shortage of between 500MW and 1,000MW each, South Africa even more. Blackouts are widespread, hindering economic growth and making lives miserable. There’s a market here for us, and a very good chance for the region to start to prosper further.

Our latest project is developing a 300MW coal-fired power plant at a coal mine in Moatize, in the province of Tete in Mozambique. Tete Province is regarded geologically as the largest undiscovered coal province in the world and it is estimated it could be producing 25% of the world’s metallurgical (coking) coal by 2025. Brazilian mining company Vale, the owner of the mine and the second largest miner in the world, will use some of the power for its operations to extract and export coking coal to Asia. The Mozambican electricity authority – Electricidade de Moçambique (EDM) – will take the remainder. We were in a tough bidding contest against several competitors from around the world, but came in with the lowest tariff. Construction will start later in 2014.

A difficult environment
The power plant itself is technically fairly straightforward and is compliant with international environmental protection standards. But the challenge is working in a difficult environment. The area is remote and sparsely populated. The summers are hot, and malaria is rife. There’s little infrastructure, like proper tarsealed roads, power and water. Secondary schooling is limited. Most local people only speak native languages and/or Portuguese.

We’ve got a local development manager in place at the moment. But soon we’ll need to send out a project management team to deal with the mine operator, the Asian engineering, procurement and construction (EPC) contractor, and the other local parties. It’ll be a rare mix of people who can cope with the environment and who bring coal fired power plant experience, never mind language skills! That’s our challenge, supported by the team in P&I (People and Infrastructure).

The needs of local communities have to be understood. Employment is one of the main drivers. We’ll need to train enough people to work on the plant now and many years into the future in a sustainable way. This means supporting and improving existing schools and training centres. We are arranging proper vocational training and apprenticeship schemes with local partners to an international standard and offering bursaries to the most promising young people.

We’ll also need to help local entrepreneurs start up new businesses that can provide construction and (later) plant operation workers with the necessities of life – food, clothing, supplies, transport as well as other services to the power plant. That means we will provide sustainable income generation opportunities for the community.

It’s quite an undertaking. But for local people who want to change their lives, there’ll be plenty of opportunities. And for our expat professional engineers and construction management team, It doesn’t get any more exciting than this!
ACWA Power is a producer of water and power. We do not manufacture equipment nor operate pilot plants nor construct plants. We rely on contractors and suppliers to deliver the projects for us.

Our primary responsibility is to apply leading edge technology and innovation to our bids and to advise on risk allocation to ensure the bankability of projects. To achieve this we have to fully understand the project environment, prepare watertight minimum functional specifications and to ensure the contractors and suppliers comply with the contract and meet our quality standards.

As Technology is involved in the whole life-cycle of our projects we are also conducting due diligence, technology screening, equipment selection and site evaluation studies to assist our site based teams in solving technical issues during construction and commissioning.

We do not automatically accept off-the-shelf technical solutions for our new developments. Instead we apply the knowledge gained from our operating plants by challenging our contractors and Original Equipment Manufacturers (OEMs) to adapt their standard offerings to a tailor-made design and optimum configuration for each project.

Our target for every bid is to provide a better technical solution compared to the last one.

**Technology portfolio**
The company started with fossil power and desalination plants and expanded later into the renewable sector. As of now, Technology is providing technical services for all commercially applied conventional and renewable energy and desalination technologies except for nuclear.

**Added value solutions**
Our role is to optimize our technical bids, offering full technical support and services to other departments and to create innovative and sustainable technical solutions by striving for higher efficiency and better heat rate. The fact that we own and operate plants enables the team to gather performance data from our own plants to validate and continuously improve our assumptions and to apply lessons learned.

**In-house makes the difference**
The company is expanding not only regionally, but also its technology portfolio. Typically developers rely primarily on external advisors to provide the technical services. In ACWA Power, we have developed an ingenious team of experts in specific fields who are deeply involved in all projects. The team is fully aligned with the core principles of the company and takes full ownership of its assignments, constantly interacting with other departments to ensure delivery of results. This setup ensures the required high degree of flexibility and superior outcomes.

**Partnerships with Industrial Initiatives and Universities**
We monitor the evolution of new technologies and evaluate their performance and adaptability to our markets and identify the most suitable configurations based on our accumulated experiences.

**Looking to the future**
The renewable energy sector is bringing new opportunities but also new technical challenges. We will see more hybrid solutions combined with different forms of energy storage which require a higher degree of optimization.
SHAREHOLDERS AND BOARD OF DIRECTORS

DIVERSITY

INGENUITY

INTEGRITY

RIGOUR

FAIRNESS
ACWA HOLDING


**MADA GROUP**

Founded by Al-Rajhi Group as a Special Purposes Vehicle for strategic investments. A significant Saudi Arabian business conglomerate that has a diversified portfolio including the largest Islamic financial institution in the world.

**STRATEGIC SAUDI INVESTORS**

Sanabil Direct Investments Company
Established in Riyadh in 2011, wholly owned by Saudi Arabian Investment Company (Saudi Sanabil). Saudi Sanabil is owned by Public Investment Fund (ultimate shareholder is the Ministry of Finance). The company objective is to invest its capital and reinvest the profits generated from such investment, as well as such other funds that may be allocated to it from time to time by the Sole Shareholder, in various areas of investment within and outside the Kingdom, and whether for the Company’s benefit or that of the State.

Saudi Public Pension Agency
Established pursuant to Article (eighth) of the Pension Law issued by Royal Decree No. (21/1/271) dated 28/01/1378H and was entrusted with the administration of pension affairs for the civil and military government personnel. The Pension Department has been converted to a public institution with a legal personality and independent budget that enjoys financial and administrative independence, according to the Council of Ministers Resolution No. (277) and dated 30/12/1423H.

Al-Mutlaq Group
Based in Riyadh in 1960 with a large stake in several sectors including manufacturing, furniture retail, agricultural equipment, automotive components and industrial heat exchangers.

Al-Toukh Commercial Group
Established in 1970 in AlKhobar with a focus on oil and gas, construction, architectural and interior design engineering consultancy, distribution of building materials and pharmaceutical products.

Omar Kassem Alesayi Group
Was founded 64 years ago in Jeddah and has interests in real estate, civil engineering, construction, hotels and malls, electronics, clothing, manufacturing and the automotive sector.

Al-Quraishi Group
Was established in Jeddah in 1934 to provide financial services. Diversified into building materials, real estate, industrial maintenance, textiles, furniture, and the manufacture of prayer carpets.

Badad International Company
Founded in Jeddah 23 years ago with investments in the building materials market, manufacture of plastic products and the fast food and leisure sector.
Mohammad Abdullah Abunayyan, Chairman
Mr. Abunayyan started his career with the Abdullah Abunayyan Group in 1979 and currently is the President & CEO of Abdullah Abunayyan Group of Companies. He is a Board member in multiple large joint stock companies in Saudi Arabia such as the National Agriculture Development Company (NADEC) and the Saudi Research and Marketing Group (SRMG). Mr. Abunayyan is also a member of the Advisory Board for the Saudi Supreme Economic Council.

Mr. Suliman A.K. Al Muhaideb is currently serving as the Chairman of A.K. Al-Muhaideb & Sons Group of Companies, Savola Group, Al-Qula Development Company, Middle East Paper Company, and RAFAL Real Estate Development Company. Also, he serves as a Board Member for the Saudi British Bank, National Industrialization Company (Tasnee), and Al-Marai Company.

Mr. Ahmed Suleiman Al-Rajhi is the chairman of the Arabian Contractors company, The Land Holding Company for Investment and Real Estate Development. Mr. Al-Rajhi is also a board member of many entities, including the Chamber of Commerce and Industry in Riyadh and The Industrial Cities and Technology Zones Committee (in addition to being a member of the Executive Committee) and The National Council of Industrial and Social Responsibility in Riyadh. He also retains the position of Chairman of Industrial Committee – Chamber of Commerce and Industry for the central region of Saudi Arabia.

Mr. Tariq Al-Mutlaq is the managing partner and a board member in Al-Mutlaq Group, the chairman of Shuaa Capital (Saudi Arabia) and vice-chairman of Arabia Insurance Company.

Mr. Rasheed Al-Rasheed is the Chief Executive Officer of the Arabian Company for Water and Power development, Ltd. In addition, Mr. Al-Rasheed is a member of the Saudi Organization for Certified Public Accountants (SOCPA), The Saudi Economy Association and The Family Business Council of the Gulf Cooperation Council.

Mr. Suliman A.K. Al Muhaidib is currently serving as the Chairman of A.K. Al-Muhaideb & Sons Group of Companies, Savola Group, Al-Qula Development Company, Middle East Paper Company, and RAFAL Real Estate Development Company. Also, he serves as a Board Member for the Saudi British Bank, National Industrialization Company (Tasnee), and Al-Marai Company.

Mr. Al-Salah Brahimi is currently the Chairman of Gray Matter International Limited G M I, Washington DC, USA, and a board member of the Alliance for Pace Building. He is also a board member and consultant in Water Safe Solutions Inc. Company; and a member of the American Banks Association in North America, a member of the American-Arab Anti-Discrimination Committee, a member of the Arab-American Institute, a member of the Chamber of Commerce, the American Business Council the Arab American Chamber of Commerce.

Dato Mohammed Izzadin Idris is the Chief Financial Officer and Senior Vice President of the Board of Directors (Group Finance) Tenaga Nasional Berhad, Senior Vice President of the Board of Directors (Corporate Finance) at Sazren Bank Berhad, Chief Financial Officer for Ranhai Berhad, Chief Operations Officer of Malaysian Resources Corp., a member of the CPA Australia and the Malaysian Accountants Institution. He also held a position on the Board of Directors of Proton Holdings (Yberhad, Mr. Mohammad is also a director of Kumpulan-Wang Bersaran (Daarbarbadankan) and an Executive Director of UEM Berhad Grove, and Vice President of the Board of Directors in Plus Express Wise Berhad.

Mr. Ibriam Alromaih holds a master’s degree in economics. He has more than twenty-five years of experience in the development of strategies and policies with leading organizations and governments concentrating on access to investments, developing and managing capital markets and financial systems and policies that protect investors. He possesses an extensive record of access to projects feasibility studies, evaluation, financial firms and portfolio management. He is a board member of the National Commercial Bank and also a member of the Gulf Investment Corporation (GIC) management.

Mr. Majid Alshathry worked for fifteen years in the field of project management construction and infrastructure. He holds a bachelor degree in mechanical engineering. Mr. Al-Shathy worked as an engineer in the Ministry of Public Works and Housing in the Department of Mechanical Engineering and then worked with many companies in business. He also works in a leading investment company owned by the Public Pension Agency (PPA) as Chief Engineer where he participated in projects such as the giant King Abdullah Financial District (KAFDI), and the Information Technology Complex project. Mr. Al-Shathy is a member of the Association of Engineers and a member of the American Academy of Finance.
Dear Shareholders,

The members of the Board of Directors are pleased to present the Board of Directors Report and Audited Financial Statements of the International Company for Water & Power Projects (ACWA Power: the “Company”) for the year ended 31 December 2013.

1. General

The International Company for Water and Power Projects (the “Company”) is a Saudi joint stock company established pursuant to a ministerial resolution numbered 215 dated 2 Rajab 1429H (corresponding to 5 July 2008) and registered in Riyadh, Kingdom of Saudi Arabia under commercial registration number 1010253392 dated 10 Rajab 1429H (corresponding to 13 July 2008).

The Company and its project companies collectively as “Group” are engaged in development, construction, acquisition, leasing, operation and maintenance of power generation, steam production and desalinated water production plants and the sale of electricity and desalinated water, and other related or auxiliary businesses activities complimentary to it.

2. Financial Results:

For its Fifth fiscal year in 2013, the Group recorded a steady financial performance resulting from the favourable performance of the project companies owning and operating power generation and steam and desalinated water production plants. As a result, the Group has achieved income from main operations of SAR 743,664 Thousand and a net income of SAR 459,027 Thousand.

3. Key accomplishments during the year:

In the areas of development, acquisition, construction and operation noteworthy accomplishments include:

– NOOR1: On 29th April 2013, ACWA Power Ouarzazate “the project company” awarded the EPC contract to a Spanish consortium to construct the world’s largest Concentrated Solar Power (CSP) parabolic trough plant with 3 hours of thermal storage as an Independent Power Project (IPP). Financial close was achieved and the construction phase of NOOR1 (the first utility size thermal solar generation project in Morocco) was launched on 10th May 2013 under the patronage of His Majesty King Mohammed VI – the King of Morocco. The project is being developed on a Build, Own, Operate and Transfer (BOOT) basis. The contracted tariff of SAR 0.71 kWh offered by ACWA Power consortium is the lowest ever submitted for Concentrated Solar Power Technology. This tariff was 29% lower than the second bidder’s tariff representing a saving of SAR 900 Million to the Moroccan consumer. This has not only created value for Morocco but also has revitalized the relevance of CSP as a competitive solar power technology.
ACWA Power increase its ownership in SqWEC: on 22 May 2013, Saudi Arabian Water and Electricity Company ("SAWEC") a fully owned subsidiary of ACWA signed a binding Letter of Intent (LOI) with Mitsubishi Corporation of Japan ("MC") to purchase MC’s 6% indirect shareholding in Shuqaiq Water and Electricity Company (SqWEC). With the completion of the deal, ACWA Power will increase the indirect share in the company’s water and electricity JV from 34% to 40%.

Rabigh IPP: Using Heavy Fuel Oil, the Project Commercial Operational Date (PCOD) was achieved during Q2 2013 and started to deliver 1,204 MW to the Saudi electricity grid. The Rabigh Independent Power project is managed by Rabigh Electricity Company (RABEC) through a project company owned by the Korea Electric Power Corporation (KEPCO), ACWA Power and the Saudi Electricity Company.

BOKPOORT CSP IPP: On 02 August 2013 ACWA Power consortium confirmed the completion of financing of the 50 MWc Bokpoort Concentrated Solar Power “CSP” Independent Power Project “IPP” located in Northern Cape Province, 800 km south west of Johannesburg, in the Republic of South Africa. Official ground breaking followed on 25th September 2013 to commence the construction of the project. The plant is being equipped with thermal storage size of 9.3 hours and is among the most efficient solar plants in the world. This technology will yield a record high level of generation in excess of 200 GWh/year.

Rabigh 2 IPP: The company participated in the Saudi Electricity Company (SEC) tender for Rabigh2 Independent Power Project (R2IPP) which resulted in the company being announced as the preferred bidder and therefore, the project was awarded to the company. Subsequently Al Mourjan for Electricity Production Company (Al Mourjan) was established as the project company with the winning ACWA Power consortium and SEC owning 50% each. R2IPP, the fourth in SEC’s IPP program, is a green-field independent power project with a net generation capacity of 2,050MW, being developed on a BOO (build, own and operate) basis.

R2IPP represents another significant milestone in the Saudi power sector given that this will be the first IPP to utilize a Combined Cycle Power Plant with a gross thermal efficiency of 58.8% at Reference Site Conditions at Rabigh. Construction on R2IPP started on December 2013 and the project is expected to commence commercial production in Q2 2017.

Other noteworthy achievements include:

- Saudi Public Institutional entities join as shareholders: At the beginning of 2013, 17.2% of ACWA Power was acquired by two Saudi public institutional entities through a private placement transaction of a new issue of 89,471,684 million primary equity shares. Sanabil Direct Investment Company (Sanabil) which is owned by Saudi Arabian Investment Company and ultimately owned by the Public Investment Fund (PIF), and Saudi Public Pension Agency (PPA) bought the equity stake. Sanabil and PPA now own 12.14% and 5.06% equity stakes respectively and are each entitled to a seat on the Board of Directors. This is a major achievement for ACWA Power and has had a positive impact on the strength of the company’s financial position and on its business. This share placement enables the company to accelerate the execution of its strategic expansion plans to become the prime international developer of power generation and water desalination plants both in Saudi Arabia and our target geographies.

- Augmenting the leadership team: During 2013 ACWA Power strengthened its senior leadership team by recruiting seasoned experienced professionals in the main areas of Asset Management, Technology and People & Infrastructure. ACWA Power also appointed Mr. Thamer Al-Sharhan to the newly created position of Managing Director, reporting to the Board of Directors, who was holding a CEO position in Marafiq Company.

- International Advisory Board: The Company has reinforced its leadership team through the establishment of an International Advisory Board, and appointed Dr. Abdullah I. El-Kuwaiz (Chairman) in addition to three other members including Kim Jong-Yong, Henri Meyers and Rachid Mohamed Rachid. They are all highly experienced professionals in the power generation and water desalination industry. ACWA Power has created this International Advisory Board to provide an independent contribution to the Company’s strategic vision.
and expansion plans in the new geographies across which ACWA Power is operating. The Board now has advice from world renowned professionals in economic issues, political risk, new technology and international markets. The Advisory Board will play an instrumental role in working with the Board to achieve the next five year strategic objectives.

- **Successfully closing a revolver corporate facility:** on 16 December 2013 ACWA Power successfully closed off its SAR 1.776 Bn (c.USD 475 million) 5 year revolving corporate facility structured on a fully Sharia Compliant Commodity Murabaha basis with four leading Saudi financial institutions. This demonstrates the market’s strong confidence in ACWA Power’s management, its strategy and growth prospects. The Revolver will fund the company’s upcoming investments – both green field as well as acquisitions. Within its availability period, it may also be viewed as a “war chest” to enable ACWA Power to swiftly respond to acquisition opportunities and to supplement its growth plans of doubling its current power generation capacity from 15.7 GW to 30 GW, and expanding its water production from 2.4 million m³/day to 5 million m³/day by the year 2018.

- **Awards:**
  - ACWA Power and its projects are proud to have delivered numerous award winning transactions in 2013. To name a few, it was recognized by the Middle East Solar Industry Association (MESIA) as “the Utility Company of the Year”. It also won “Project of the Year” prize for its NOOR1 CSP project.
  - Among other prestigious awards for 2013, the Bokpoort solar energy project won the CSP “Deal of the Year” for renewable energy projects for Africa from Project Finance International Magazine (published by Thompson Reuters). In addition, NOOR1 CSP IPP in Morocco won the “African Solar Deal of the Year” from Project Finance Magazine. Rabigh2 IPP won “Middle East Deal of the Year” and “Best Financing Deal” from EMEA Finance Magazine.
  - **Higher Institute for Water and Power Technology (HIWPT): Best Arab Training Institute Award:** on 11th May 2013 HIWPT won the Al-Hariri Best Arab Training Institute Award for training Saudi Youth in power plant and desalination plant Operations and Maintenance.

4. **Board of Directors**
The Board is composed of nine directors:

- Mr. Mohammad A. Abunayan (Chairman)
- Mr. Sulaiman A.K. Al-Muhaidib
- Mr. Ahmed Sulaiman Al-Rajhi
- Mr. Tariq M. Al-Mutlaq
- Mr. Ibrahim Al-Romaih
- Mr. Majed Al-Shathry
- Mr. Salah Brahim
- Dato Mohd Izzaddin Idris

The BOD held five board meetings during 2013 to determine and evaluate the company’s progress in achieving the strategies advanced by the management team for developing new projects in our targeted geographical regions. The BOD received a total sum of SAR 1,980,000 as remuneration for their services for the period of 1st January 2013 to 31st December 2013.

5. **Advisory Board**
The Advisory Board’s objective is to give advice, guidance and make non-binding recommendations to the Board and the Leadership Team of the company with respect to matters within the areas of their expertise and experience. The Advisory Board was formed by the Board of Directors in their meeting of May 2013. In the subsequent meeting on October 2013 an additional member was appointed to the Advisory Board which consists of a chairman and three members. The Advisory Board held two meetings during 2013.

The Advisory Board has four members:
- Dr. Abdullah Ibrahim El-Kuwaiz (Chairman)
- Mr. Henri Meyers
- Ambassador Kim Jong-Young
- Mr. Rachid Mohammed Rachid

6. **Audit Committee**
The Audit Committee of the Board has four members:
- Mr. Khalid Al-Solai (Chairman)
- Mr. Rasheed A. Al Rasheed
- Mr. Khalid Al-Khowaiter
- Mr. Abdullah Al-Anfi

The Audit Committee held four meetings during 2013 at which they reviewed key audit findings covering operational, financial and compliance areas and financial policies following the company’s decision to conform to international standards, in addition to providing the BOD with a clear picture of the company’s financial position. The Audit Committee received a total sum of SAR 150,000 as remuneration for their services for the period of 1st January 2013 to 31st December 2013.

7. **Risk Management Oversight Committee (RMOC)**
The Risk Management Oversight Committee (RMOC) held 2 meetings during 2013. It is a fully delegated committee of the Board and performs its functions in accordance with its terms of reference drawn up in compliance with the Code of Corporate Governance approved by the Board. The Committee supports the Board to monitor the risk environment for the Company and provide direction for the activities to mitigate the risks that may adversely affect the Company’s ability to achieve its goals. The committee has four members, with the Chairman being an independent member of the committee:
- Dato Mohd Izzaddin Idris (Chairman)
- Mr. Khalid M. Al-Solai
- Mr. Suntharesan Padmanathan
- Mr. Mrinal Sengupta

8. **Board Investment Committee (BIC)**
The Board Investment Committee is a standing Committee of the Board deriving its powers under full delegation of responsibility from the Board of Directors. The Investment Committee consists of six members who are appointed by the Board. The BIC held nine meetings during 2013. The primary purpose of the Investment Committee is to give its directions, guidelines and approvals relating to investments in projects, investment guidelines, strategic business plans and related decisions. The BIC has six members:
- Mr. Mohammed A. Abunayan (Chairman of the Committee)
- Mr. Tariq M. Al-Mutlaq
- Mr. Ahmad S. Al-Rajhi
- Mr. Ibrahim Al-Romaih
- Mr. Salah C. Brahim
- Dato Mohd. Izzaddin Bin Idris
9. Related Party Transaction Committee (RPTC)
The Related Party Transaction Committee met twice during 2013. It is constituted by the Board and performs its functions in compliance with the Code of Corporate Governance approved by the Board. The Committee supports the Board to review and approve matters and transactions that involve related party transactions and potential conflicts of interest within the company. Any approval or rejection given by the RPTC is considered as having been given by the Board themselves. The committee consists of three members, with the Chairman being an independent member of the Committee.

- Mr. Mohd Izzaddin Idris (Chairman)
- Mr. Salah Brahimi
- Mr. Tariq Al Mutlaq
- Mr. Ibrahim Al-Romaih

10. Acknowledgement
The Board of Directors would like to take this opportunity to express their gratitude to The Custodian of the Two Holy Mosques, King Abdullah Bin Abdulaziz Al Saud (May Allah protect him), His Royal Highness Crown Prince Salman Bin Abdulaziz Al Saud, the Deputy Prime Minister and Minister of Defense, as well as His Royal Highness the Deputy Crown Prince Mugrin Bin Abdulaziz Al Saud, advisor and special envoy to the Custodian of the Two Holy Mosques and H.E Dr. Ibrahim bin Abdulaziz Al-Assaf, Minister of Finance. Much is owed to His Excellency the Minister of Water and Electricity, for his continued support for privatization of the power and water sector. The Directors’ appreciation extends to all government officials and relevant authorities for their continued cooperation with the Company. We also take this opportunity to thank our management and employees for their dedication and commitment to keeping ACWA Power as a leader in this sector, not only in Saudi Arabia, but also in all of our target geographic regions.

Mohammed A. Abunayyan
Chairman

<table>
<thead>
<tr>
<th>Board of Directors Expenses</th>
<th>Remuneration</th>
<th>Attendance Fees</th>
</tr>
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<tbody>
<tr>
<td>Mr Mohammad A. Abunayyan</td>
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<td>Mr Sulaiman A.K Al-Muhaidib</td>
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<td>Mr Ahmed Sulaiman Al-Rajhi</td>
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<td>Mr Rasheed A. Al-Rasheed</td>
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<tr>
<td>Mr Tariq M. Al-Mutlaq</td>
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<td>Mr Ibrahim Al-Romaih</td>
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<td>Mr Majed Al-Shathry</td>
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<td>Mr Salah Brahimi</td>
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<tr>
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<td>Mr Mohammad A. Abunayyan</td>
<td>75,000</td>
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<td>Mr Tariq M. Al-Mutlaq</td>
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<td>Mr Salah C. Brahimi</td>
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</tr>
<tr>
<td>Dato Mohd Izzaddin Idris</td>
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<td><strong>Total</strong></td>
<td><strong>375,000</strong></td>
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GOVERNANCE REPORT

BOARD STRUCTURE AND COMMITTEES

The Company’s corporate governance philosophy
ACWA Power’s principal purpose is to improve the quality of life of the communities it serves. The Company’s values, ideals and ways of working help it do that.

The Company’s corporate governance philosophy is based on a rich legacy of fair, ethical and transparent governance practices, many of which were in place even before they were mandated by adopting the highest standards of professionalism, honesty, integrity and ethical behavior. The corporate governance practices the Company and its subsidiaries follow are compatible with both local and international standards and best practices. Through the governance mechanism in the Company, the Directors carry out their fiduciary responsibilities to all the Company’s stakeholders by making sure their decision making is transparent, fair and independent. These values are also reflected in the leadership, management and day-to-day operations of the Company.

The Code of Conduct & Business Ethics sets out the Company’s values, ethics and business principles, and serves as the ethical road map for the Company, its directors and its employees. The code includes the Company’s anti-bribery and anti-corruption policies, and explains how any concern about non-adherence to the code can be reported.

Internal audit, risk management and internal control processes continue to meet the progressive governance standards.

Leadership of the Company
The Board of Directors, the Board Committees and the Company’s Leadership Team provide leadership and guidance to the Company’s management, and direct, supervise and control the performance of the Company.

The Board has nine Directors, including the Chairman. All the Directors have confirmed that during 2013 they had no conflicts of interest with the Company as mentioned in the Conflict of Interest Policy.

The Directors bring a rich experience of corporate governance, operations and maintenance, finance, business development and institution building. This experience is complemented by their academic and professional qualifications in the fields of administration, management, finance and engineering.

Five Board Meetings were held during 2013. These meetings were convened by issuing proper notices along with the agenda and relevant working papers. The Chairman presided at the meetings, and the minutes of the meetings were appropriately recorded, circulated and approved.

The Leadership Team consists of the President & CEO and the senior officers of the Company, who are appointed by the President & CEO.

The Company held its statutory Annual General Meeting (AGM) of shareholders for the year ended 31 December 2012 on 2 June 2013. The AGM concluded with discussion about normal items of business and passed the annual statutory resolutions as contemplated under the Saudi Companies Law. The Company held three Extraordinary General Meetings on 12 January 2013, 2 October 2013 and 17 November 2013 to approve, among other things, the amendment of the Company By-laws.

The table below lists all the Directors and their attendance at the Board Meetings, the AGM and the EGMs:

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<thead>
<tr>
<th>Name of Director</th>
<th>Category</th>
<th>11, Feb.</th>
<th>13, Mar.</th>
<th>18, May</th>
<th>01, Oct.</th>
<th>05, Dec.</th>
<th>12, Jan.</th>
<th>02, Jun.</th>
<th>02, Oct.</th>
<th>17, Nov.</th>
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<tr>
<td>Mr. Mohammed Abdullah Abunayyan</td>
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<td>✓</td>
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<tr>
<td>Mr. Sulaiman A. Al Muhaideb</td>
<td>Non-Executive Director</td>
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<td></td>
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<tr>
<td>Mr. Ahmed Al Rajhi</td>
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<tr>
<td>Mr. Rasheed Al Rasheed</td>
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<td>✓</td>
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<tr>
<td>Mr. Tariq M. Al Mutlaq</td>
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<td>✓</td>
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<tr>
<td>Mr. Ibrahim Alromaib</td>
<td>Non-Executive Director</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>#</td>
<td>#</td>
<td>#</td>
</tr>
<tr>
<td>Mr. Majed Alshathry</td>
<td>Non-Executive Director</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>#</td>
<td>#</td>
<td>#</td>
</tr>
<tr>
<td>Mr. Salah C. Brahim</td>
<td>Independent Director up to 4.7.2013</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>#</td>
<td>#</td>
<td>#</td>
</tr>
<tr>
<td>Dato Mohd. Izzaddin Bin Idris</td>
<td>Independent Director up to 4.7.2013</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>#</td>
<td>#</td>
<td>#</td>
</tr>
</tbody>
</table>

Legend: (+) Present; (-) Apologies; (#) Proxy

The Advisory Board
The objective of the Advisory Board is to advise, guide, and make non-binding recommendations to the Board and the Leadership Team in areas where it has expertise and experience. Among other things, it will:

- improve the Company’s corporate governance framework;
- supplement the Board’s expertise in wider areas including finance, technology and standards, infrastructure, administration and other areas felt to be relevant to the development, growth and profitability of the Company;
- provide an objective, outside view of the Company’s strategic vision and growth plans;
- share knowledge about the overseas markets in which the members of the team have lived and worked; and
- act as an ambassador, supporting the Company’s business as and when required.
The Advisory Board consists of four members, and two meetings were held during 2013.

<table>
<thead>
<tr>
<th>Name of Member</th>
<th>Category</th>
<th>30, Sep.</th>
<th>04, Dec.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dr. Abdullah Ibrahim El Kuwaiz</td>
<td>Chairman</td>
<td>–</td>
<td>✓</td>
</tr>
<tr>
<td>Mr. Henri Meyers</td>
<td>Member</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Amb. Kim Jong-Yong</td>
<td>Member</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Mr. Rachid Mohammed Rachid</td>
<td>Member</td>
<td>–</td>
<td>✓</td>
</tr>
</tbody>
</table>

Legend: (✓) Present; (–) Apologies; (N.A.) Not Applicable

The Audit Committee
The Audit Committee’s charter defines its composition, authority, responsibility and reporting functions in accordance with the approved rules of the Board and the CMA Standards. The charter is reviewed from time to time. The Audit Committee heard the views of the external auditors before forwarding the annual accounts of the year 2013 for approval to the Board.

During 2013 the Audit Committee consisted of four members, with the Committee Chairman being an independent member of the Committee. All the members have the knowledge and experience of accounting standards and commercial laws they need to perform their functions.

During 2013 the Audit Committee reviewed the main audit findings covering operational, financial and compliance areas. The Committee makes sure the financial statements are prepared in accordance with the accounting standards in the Kingdom of Saudi Arabia. The Internal Audit function also presented subsidiary companies positions on internal control system, risk mitigation plan to the Committee.

Each year the Committee, through self-assessment, evaluates its performance, reviews the status on compliance with its obligations under the charter, and confirms that it fulfills its duties and responsibilities. The Committee Chairman or his nominee briefs the Board on significant discussions at Committee Meetings.

The Committee verifies that the Company’s internal control regulations are effectively applied, and that sound accounting records are kept with appropriate supporting documents. The policies and measures of corporate performance were prepared and documented according to the required standards.

The table below lists all the Committee Members and their attendance at the Committee Meetings held during 2013:

<table>
<thead>
<tr>
<th>Name of Member</th>
<th>Category</th>
<th>25, Feb.</th>
<th>14, May</th>
<th>18, Sep.</th>
<th>02, Dec.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Khalid M. Al-Solai</td>
<td>Chairman, Independent</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Mr. Rasheed Al Rasheed</td>
<td>Member (Non-Executive Director)</td>
<td>✓</td>
<td>–</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Mr. Khalid Al Khowaiter</td>
<td>Independent Member</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Mr. Abdullah Al Arifi (joined on 02 December 2013)</td>
<td>Independent Member</td>
<td>N.A.</td>
<td>N.A.</td>
<td>N.A.</td>
<td>✓</td>
</tr>
</tbody>
</table>

Legend: (✓) Present; (–) Apologies; (N.A.) Not Applicable

The Investment Committee
The Investment Committee is a standing Board Committee deriving powers under full delegation of responsibility from the Board. The Investment Committee consists of six members, who are appointed by the Board and attended the meetings.

The primary purpose of the Investment Committee is to consider the matters designated to it by the Board, which include matters relating to approving the investments in projects, investment guidelines, strategic business plans, and related decisions on behalf of the Board. The Committee also gives its directions, rules and approvals on these matters.
### Investment Committee Meetings held and attended during 2013

<table>
<thead>
<tr>
<th>Name of Member</th>
<th>Category</th>
<th>03, Jan.</th>
<th>11, Feb.</th>
<th>04, Mar.</th>
<th>12, Mar.</th>
<th>18, Jun.</th>
<th>21, Jul.</th>
<th>29, Oct.</th>
<th>13, Nov.</th>
<th>05, Dec.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Mohammed Abdullah Abunayyan</td>
<td>Executive Chairman</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Mr. Tariq M. Al Mutlaq</td>
<td>Member (Non-Executive Director)</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>–</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Mr. Ahmad S. Al Rajhi</td>
<td>Member (Non-Executive Director)</td>
<td>–</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>#</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Mr. Ibrahim Alromaih</td>
<td>Member (Non-Executive Director)</td>
<td>N/A</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Mr. Salah C. Brahimi</td>
<td>Member (Independent Director)</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>#</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Dato' Mohd. Izzaddin Bin Idris</td>
<td>Member (Independent Director)</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

**Legend:** (✓) Present; (–) Apologies; (#) Proxy

### The Nomination and Remuneration Committee

The Nomination and Remuneration Committee performs its functions in accordance with its terms of reference drawn up in compliance with the Code of Corporate Governance approved by the Board. This is a recommendatory committee. The main duties of the Committee are:

- recommending the appointment of members to the Board;
- reviewing the structure of the Board;
- determining the strengths and weaknesses of the Board;
- ensuring the independence of the Board;
- proposing the remuneration for the Directors;
- reviewing succession planning for the executive management;
- recommending the total amount of the annual cash bonus; and
- reviewing and approving the employee share based plan, policies and related provisions.

### Nomination & Remuneration Committee Meetings held and attended during 2013

<table>
<thead>
<tr>
<th>Name of Member</th>
<th>Category</th>
<th>03, Feb.</th>
<th>04, May</th>
<th>15, Sep.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Ahmad S. Al Rajhi</td>
<td>Chairman (Non-Executive Director)</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Mr. Tariq M. Al Mutlaq</td>
<td>Member (Non-Executive Director)</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Mr. Chance Wilson</td>
<td>Independent Member</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

### The Related Party Transactions Committee

The Related Party Transaction Committee, constituted by the Board, performs its functions in accordance with its terms of reference drawn up in compliance with the Code of Corporate Governance approved by the Board and has approval power. The Committee helps the Board review and approve matters and transactions that involve related party transactions and conflicts of interest within the Company. The Committee consists of four members, with the Committee Chairman being an independent member of the Committee.

### Related Party Transaction Committee Meetings held and attended during 2013

<table>
<thead>
<tr>
<th>Name of Member</th>
<th>Category</th>
<th>02, Feb.</th>
<th>13, Mar.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dato' Mohd. Izzaddin Bin Idris</td>
<td>Chairman (Independent Director) up to 4.72013</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Mr. Salah C. Brahimi</td>
<td>Member (Independent Director) up to 4.72013</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Mr. Tariq M. Al Mutlaq</td>
<td>Member (Non-Executive Director)</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Mr. Ibrahim Alromaih</td>
<td>Member (Non-Executive Director) N/A</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

**Legend:** (✓) Present; (–) Apologies
The Risk Management Oversight Committee
The Risk Management Oversight Committee, is a fully delegated Board Committee which performs its functions in accordance with its terms of reference drawn up in compliance with the Code of Corporate Governance approved by the Board.

The Committee helps the Board monitor the risk environment for the Company and consider measures to mitigate, to an acceptable level, the risks that might prevent the Company achieving its goals. The Committee consists of four members, with the Committee Chairman being an independent member and board representative of the Committee.

The table below lists all the Committee Members and their attendance at the Committee Meetings held during 2013:

<table>
<thead>
<tr>
<th>Name of Member</th>
<th>Category</th>
<th>Attendance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dato’ Mohd. Izzaddin Bin Idris</td>
<td>Chairman (Independent Board Member)</td>
<td>✓</td>
</tr>
<tr>
<td>Mr. Khalid M. Al-Solai</td>
<td>Independent Member</td>
<td>✓</td>
</tr>
<tr>
<td>Mr. Suntharesan Padmanathan</td>
<td>Member (President &amp; CEO)</td>
<td>✓</td>
</tr>
<tr>
<td>Mr. Mrinal Kanti Sengupta</td>
<td>Member (VP Assets Management)</td>
<td>✓</td>
</tr>
</tbody>
</table>

Legend: (+) Present; (-) Apologies

Remuneration of Directors and Audit Committee Members
Each member of the Board and the Board Committees is entitled to a fee for each meeting they attend during the year. The table below lists the remuneration and attendance fees paid to the members of the Board and the Audit Committee:

<table>
<thead>
<tr>
<th>Board of Directors</th>
<th>Category</th>
<th>Remuneration (SAR)</th>
<th>Attendance Fees (SAR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Mohammed Abdullah Abunayyan*</td>
<td>Executive Chairman</td>
<td>200,000</td>
<td>12000</td>
</tr>
<tr>
<td>Mr. Sulaiman A. Al Muhaidib</td>
<td>Non-Executive Director</td>
<td>200,000</td>
<td>9000</td>
</tr>
<tr>
<td>Mr. Ahmed Al Rajhi*</td>
<td>Non-Executive Director</td>
<td>200,000</td>
<td>9000</td>
</tr>
<tr>
<td>Mr. Rasheed Al Rasheed*</td>
<td>Non-Executive Director</td>
<td>200,000</td>
<td>12000</td>
</tr>
<tr>
<td>Mr. Tariq M. Al Mutlaq*</td>
<td>Non-Executive Director</td>
<td>200,000</td>
<td>12000</td>
</tr>
<tr>
<td>Mr. Ibrahim Alromaih *</td>
<td>Non-Executive Director</td>
<td>200,000</td>
<td>12000</td>
</tr>
<tr>
<td>Mr. Majed Alshathry</td>
<td>Non-Executive Director</td>
<td>200,000</td>
<td>12000</td>
</tr>
<tr>
<td>Mr. Salah C. Brahimi*</td>
<td>Independent Director</td>
<td>200,000</td>
<td>12000</td>
</tr>
<tr>
<td>Dato’ Mohd. Izzaddin Bin Idris*</td>
<td>Independent Director</td>
<td>200,000</td>
<td>12000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Committees of the Board</th>
<th>Category</th>
<th>Remuneration (SAR)</th>
<th>Attendance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Khalid AlSolai</td>
<td>Chairman, Audit Committee</td>
<td>37,500</td>
<td>9000</td>
</tr>
<tr>
<td>Mr. Khalid Al Khovaiter</td>
<td>Member, Audit Committee</td>
<td>37,500</td>
<td>9000</td>
</tr>
</tbody>
</table>

*Directors of the Board also representing as members of the Board Committees

The remuneration paid to the officers of the Company reflects the responsibilities of, and the skills required for, each position. The Company has a well laid down policy and process for linking remuneration with performance.

Regulatory penalties
During 2013 no statutory authority of any country where the Company has an office imposed a penalty on the Company.

Communication with shareholders
The Company communicated with its shareholders effectively during 2013, using all the available means of communication. Quarterly financial statements reviewed by the Audit Committee and approved by the Board were sent to the shareholders.

Professional profile of the external auditor
Ernst & Young is an established Big Four accounting firm and has a permanent office in Saudi Arabia. Ernst & Young, Riyadh, is the principal office that manages the audits for the Company and most of its subsidiaries, joint ventures and associates.
Risk management has become even more important now that our business is well and truly established outside our home market. We have set up various processes to identify and assess issues. We then take action to reduce or mitigate our exposure to risk and limit potential unfavourable consequences. We refine and improve the way we manage risk all the time to achieve a fine balance between effective control and entrepreneurial spirit.

At ACWA Power corporate offices, we've implemented the enterprise risk management principles and guidelines given by the ISO 31000:2009 standard. We're also in the process of establishing or extending these principles and guidelines at our group companies inside and outside the Kingdom of Saudi Arabia. Our representatives on the boards and board audit committees of our group companies offer guidance on risk management matters.

Most of our risks relate directly to the different phases of our business cycle. We look at the main ones in turn below.

**Risks during the project development phase**
Identifying and limiting material risks during this phase greatly reduces the risks over the whole life of the asset.

For any project under development, we carefully select investments that meet or exceed our hurdle rate, which is a threshold for the rates of return on new investments relative to the cost of capital. The Board Investment Committee has the final say on moving ahead with any project.

In 2013 an International Advisory Board was formed to contribute independently to our strategic vision and expansion plans. The board now gets advice from world renowned experts in economics, politics, technology and international markets.

**Contractor and technology risks**
Choosing the right engineering, procurement and construction (EPC) contractor that can work with the right technology is central to our winning strategy.

To manage and mitigate contractor pricing and construction risk, we partner only with competitive, experienced and creditworthy EPC contractors whose obligations are back-stopped by high investment grade rated bank guarantees (for liquidated damages) as well as their own or their parent company’s corporate guarantee. Whether or not we accept the entities issuing these securities is also subject to internal risk parameters, review and monitoring.

When selecting the technology for a green field project, we go to great lengths to make sure the chosen technology can be supported in the region, is suited to the plant and operational specifications supplied by the off-taker, and on the whole provides the most viable solution for the transaction.

**Operations and maintenance risks**
The assumptions we make about long-term operations and maintenance (O&M) for a green field project or a brown field acquisition present some of the biggest risks during this phase. These assumptions are reviewed and signed off by our in-house technology experts and, in some circumstances, by outside experts. They're also back-stopped by an O&M operator in the form of a binding O&M agreement or a term sheet when the bid goes in.

NOMAC is the O&M operator in our projects. Being a standalone entity responsible for its own P&L statement, NOMAC treats every O&M agreement on an arm’s length basis. Because it has built up a lot of experience over the years from operating power and water plants of different types, it can strike a proper balance between risk and reward when it enters these O&M agreements.

We base the future availability and cost of insurance for the project on advice and quotes we get from reputable insurance advisers and brokers at the bidding time.

**Funding and financing risks**
By its nature, our business needs significant amounts of corporate level and project level borrowing or share capital issuance to fund its investments.

At the project level, we generally finance our debt needs by raising limited or non-recourse debt, which minimises the exposure at the corporate level to the amount of equity invested in the project. On project bids, the financing assumptions are also back-stopped by signing binding financing term sheets for a substantial portion of the funding requirement when the bid goes in. If the bid is successful, these term sheets are converted into binding agreements.

At the corporate level, we fund our investments with a combination of:

- growing internal cash flows, which result from the rising number of plants coming into operation;
- an increase in the capital base from strategic investors; and
- medium-term funded facilities secured at favourable pricing and repayment terms, reflecting our improving corporate credit.

In 2013 we secured a SAR 1.775 billion five-year corporate revolver facility to help fund our investment strategy without the cost of carry associated with conventional loans.

We also support the project companies in the form of parent company guarantees, and letters of credit or guarantees arranged with financial institutions. We’re working to encourage a move away from corporate guarantees and towards bank guarantees.

**Foreign currency and interest rate risks**
Managing foreign currency risk becomes important as we expand into markets with free floating exchange rate regimes. We do this by funding our obligations in the local currency as well as by using ‘non-exotic’ derivative instruments.

Interest rate risk is more applicable to long-term project financing. We use longer-term interest rate swaps (IRSs) for USD denominated facilities, and we’ve also broken new ground by successfully implementing longer tenure IRSs for Saudi Riyal loans as well.

**Counterparty risks**
We manage our credit exposure to our off-take counterparties by entering into long-term off-take agreements with mostly investment grade off-takers. That’s more, most of our projects have ongoing revenue and termination payments guaranteed with sovereign credit support.

For bank borrowings and deposits, we only use global or regional banks with an investment...
grade rating. The management team regularly monitors the credit rating of these institutions.

We also use insurance products available in the market for mitigating counterparty risks, especially when we make acquisitions.

**Development partner risks**
We carefully choose our strategic and financial partners on each project. These partnerships let us share the project risks. We require each partner to inject cash equity, or support their pro rata EBL with acceptable credit support or arrange a stand-by letter of credit to back-stop their commitment to inject future equity obligations.

**Legal, regulatory and tax risks**
Changes to rules and regulations covering taxation, competition, the environment, health and safety, and many other things can affect our business. We structure most of our projects so that we are protected against changes in local law that could adversely affect financial performance.

Legal risks arise due to the company’s activities and unintended or unexpected consequences of a violation of law, civil claims arising from litigation or any other disputes. Our team of in-house legal experts identifies, manages and monitors legal risks.

We develop tax efficient structures based on the tax regulations of the relevant jurisdiction in place at the time we first invest in a project. We monitor any changes in the local tax regulations, but try to keep them to a minimum by only investing in stable jurisdictions.

**Country and political risks**
We carefully assess the country and political risks before deciding to invest in any project, and use outside consultants if necessary. Over the life of a project, we can minimise but never eliminate these risks. Where possible, we use the agreements we enter into to protect ourselves. In certain jurisdictions, we might consider buying political risk insurance.

We have expanded cautiously into new markets. We understand the importance of keeping up good relationships with our counterparties over the life of a project, and make sure everyone involved understands this too.

The evaluation of these risks ensures that ACWA Power can commit at the time of development to deliver earnings and value accretion to shareholders over the life of the project. The work does not stop at this stage, as ACWA Power works rigorously to deliver the same returns during the construction and operations of each project.

**How we organise our business**
Our management team is divided into functions. Each function is aware of how it plays its part in the ongoing growth of the business.

**People**
We have some of the best people in the industry. Our success depends on finding and keeping them. If we don’t get the right people, or they leave, our plans could come undone. To mitigate these risks, we:

- give our employees an entrepreneurial environment in which to constantly learn and challenge themselves;
- offer competitive remuneration and bonus schemes; and
- plan for succession.

**Governance and management controls**
We have grown significantly over the past few years, and have set up and maintained appropriate governance and management controls. Our standards are based on local and international requirements and management approaches. We have established internal controls on guidance and principles issued under the internationally accepted framework of the Committee of Sponsoring Organizations.

A qualified in-house team of carries out internal audits of finance, IT and operations using standard auditing practices and to the standards of the US Institute of Internal Auditors. It reports directly to the Board Audit Committee.

We have set up a Risk Management Oversight Committee with adequate representation of non-executive directors. Its role is to monitor the risks we face, and advise on how we can bring those risks down to an acceptable level. It also helps the Board look at how we can carry out risk assessment and management better.

**Risks during the asset management phase**
Once we have built a plant, our aim is to provide competitively priced and reliable operations and maintenance services. Our future revenues from power generation and water desalination depend on how well we manage operational risks.

Our subsidiary NOMAC, an operations and maintenance service provider, administers the majority of our facilities, so we’re in a strong position to supervise risk management at an operational level.

**Construction and commissioning risks**
We make sure EPC contracts are structured so that the majority of the design and construction risks lie with the EPC contractor, and we get protection against cost overruns, delays or performance shortfalls through liquidated damages.

During the commissioning stage, we expect the EPC contractor to meet performance targets for power output, availability and efficiency by complying with a comprehensive testing regime carried out before completion and at the time the contractor hands the plant over to the project company.

**Pricing risks**
Because of the tolling nature of the agreements, all the projects in our portfolio have limited exposure to volume or price risks as they realise both capacity and production payments.

The capacity payments are structured to meet a project’s capital investments, financing payments, fixed O&M costs and the equity sponsor’s required rate of return. The production revenues are linked to the variable O&M costs that the project incurs.

Typically, fixed O&M capacity and production payments go up in line with inflation over the life of the purchase agreement. But as we invest in merchant markets we are exposed to market electricity and fuel prices and market demand.

**Insurance risks**
As our industry is capital intensive, insurance is vital to protect assets against foreseeable risks. All the projects in our portfolio have comprehensive industry standard insurance throughout the construction and operational phases.
Fuel supply risks
Most of our fossil fuel plants are contracted on a tolling arrangement, whereby the off-taker bears the fuel cost and volume risks for the full term of the power purchase agreement. Only creditworthy companies directly or indirectly supply the fuel for the projects, and the off-taker bears the incremental costs of backup fuel.

As is normal industry practice, the facilities are subject to heat rate penalties, which are carefully monitored to avoid fluctuation in cash flows.

Operations and maintenance risks
A reduction in availability, efficiency or capacity is one of the biggest issues that power generation and water desalination facilities face.

NOMAC is paid according to the projected fixed and variable costs, which are indexed to domestic and international inflation rates. However, the actual costs NOMAC incurs could be higher than the inflation adjusted costs, potentially reducing its cash flow. And any increase in maintenance and operational costs arising from higher than projected wear and tear or unplanned outages could also affect its cash flow.

To mitigate this risk, we are committed to following international standards for O&M services. We and NOMAC stay close to the original equipment manufacturers across our fleet so that we both can keep abreast of innovation and technical advances and use their expertise when it comes to equipment maintenance and inspections.

What’s more, NOMAC has adopted international best practice O&M standards and successfully achieved OHSAS 18001, ISO 9001 and ISO 14001 certifications. NOMAC is also in the process of implementing an enterprise risk management framework.

Economic and financial risks
Our business has to deal with the vagaries of macroeconomics, including foreign exchange rate, inflation rate, and interest rate movements.

Although the revenues from most of our projects are received in local currencies that are pegged to the US dollar, they’re indexed either fully or in majority to the exchange rate movement of the USD, giving protection against exchange rate volatility. Because of the dollarised nature of the cash flows, a removal of the peg between the local currency and the USD would have a minimal effect on the financial stability of our portfolio. The bulk of O&M revenues from most of our projects is received in US dollars or the relevant local currency, and any movements in the USD against other major currencies of the world have a low impact on the stability of cash flows.

The fixed and variable revenues from most of our projects are typically divided into two components, namely domestic and international. Both revenue streams are indexed to the inflation rates of the respective countries and are therefore sheltered from exposure to inflation risk.

We model and select an optimal interest rate that results in the highest rate of return. Long-term funding comprises SAR and USD debt, linked to SAIBOR and LIBOR respectively. To protect against interest rate volatility, SAIBOR is 100% hedged on a rolling basis for periods of five years, and LIBOR is substantially hedged for periods replicating the tenure of the USD debt (in both cases using interest rate swaps).

So our ability to maintain stable cash flow levels will depend on future SAIBOR and LIBOR interest rates (most of our projects don’t currently have any interest rate exposure).

Health, safety and environmental (HSE) risks
Inadequate HSE practices and management at a plant can lead to hazardous conditions, demotivated staff and reduced economic performance. So we set out stringent HSE standards based on international standards for all EPC contractors and O&M service providers. Our own HSE team carries out regular inspections and audits to monitor HSE activities and performance.

Legal risks
Any new law, or any new interpretation or application of an existing law, could pose serious risks to our business. We mitigate these risks by putting suitable protection provisions in our power and water purchase agreements, and by carefully choosing which countries to do business in in the first place.

Solar energy risks
The tariffs in our solar energy power purchase agreements are based on delivered energy. There is a danger that the ‘direct natural irradiance’ (expressed in watts per square metre) could be lower than that needed for the estimated power generation. But we eliminate this risk at the business development stage by estimating the DNI profile over the course of the project agreement using accurate historic data going back many years and reliable forecast figures.
Overview of our Business & Group:
The Company and its subsidiaries (collectively the “Group”) are engaged in development, construction, acquisition, generation and sale of electricity and desalinated water, leasing, operation and maintenance of power generation, water desalination and steam plants, and other related or auxiliary business activities complementary to it.

Subsidiaries are entities which are controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra-group transactions, balances, income and expenses are eliminated in full. Minority interests in the net assets of consolidated subsidiaries are identified separately from the Company's equity therein. Minority interests comprise the amount of those interests at fair value at the date of the original business acquisition and the minority's share of changes in equity since the date of the acquisition.

Financial Performance Year 2013:
The financial information presented in the consolidated financial statements has been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia (SOCPA standards) and in reference to International Financial Reporting Standards (IFRS) (for instances where SOCPA standards do not address accounting issues). For the year 2013, we achieved income from main operations of SAR 744 million (2012: SAR 588 million) and a net income of SAR 459 million (2012: SAR 331 million). The drivers of the net income are services rendered (including development fee income), our share of net income from joint ventures and associates and results of operations from our subsidiaries.

Critical Accounting Estimates:
Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Significant areas where management has used estimates, assumptions or exercised judgments are as follows:

(i) Impairment of non-financial assets (including Goodwill);
(ii) Fair value of unquoted financial instruments; &
(iii) Asset retirement obligation.

Significant Subsequent Event:
Subsequent to year end, the Group has entered into a definite agreement with Summit Global Management VIII B.V. (a wholly-owned subsidiary of Sumitomo Corporation) to acquire its 20% stake in Shuweihat CMS International Power Company PJSC, which owns the Shuweihat S1 Power and Desalination Plant (S1 Plant). As part of this transaction, the Group also acquired a 50% equity interest in the Shuweihat O&M Limited Partnership from Summit Global Management VIII B.V. The closure of the deal is subject to various approvals that are in the process of being obtained as of the reporting date.

Operating highlights (SAR in Millions)

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidated Group Revenue</td>
<td>6,595</td>
<td>6,404</td>
</tr>
<tr>
<td>Gross profit</td>
<td>799</td>
<td>521</td>
</tr>
<tr>
<td>Share in net income of Joint Ventures &amp; Associates</td>
<td>191</td>
<td>245</td>
</tr>
<tr>
<td>Income from main operations</td>
<td>744</td>
<td>588</td>
</tr>
<tr>
<td>Net income</td>
<td>459</td>
<td>331</td>
</tr>
<tr>
<td>Net cash from operating activities</td>
<td>588</td>
<td>635</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(1,009)</td>
<td>(241)</td>
</tr>
<tr>
<td>Net cash from (used in) financing activities</td>
<td>1,101</td>
<td>(477)</td>
</tr>
<tr>
<td>Earnings per share – main operation (SAR)</td>
<td>1.53</td>
<td>1.60</td>
</tr>
<tr>
<td>Earnings per share – net income (SAR)</td>
<td>0.94</td>
<td>0.90</td>
</tr>
<tr>
<td>Bank balances &amp; cash</td>
<td>1,219</td>
<td>490</td>
</tr>
<tr>
<td>Current assets</td>
<td>3,845</td>
<td>3,191</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>9,142</td>
<td>6,876</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>6,121</td>
<td>5,984</td>
</tr>
<tr>
<td>Total equity</td>
<td>6,866</td>
<td>4,083</td>
</tr>
<tr>
<td>Tangible net worth</td>
<td>5,244</td>
<td>3,139</td>
</tr>
</tbody>
</table>
Revenue
Revenue is driven by the availability of the power and water facilities and dispatch of electricity and desalinated water by operational facilities, and operation and maintenance services and development fees.

Electricity: Sale of electricity during the year includes SAR 5.3 billion (2012: SAR 5.4 billion) relating to electricity supplied by CEGCO to NEPCO, the off-taker. This includes fuel cost of SAR 4.8 billion (2012: SAR 4.9 billion) which is currently on a pass through arrangement to NEPCO. If we exclude the revenue of pass through fuel at CEGCO, the electricity sales will be SAR 0.87 billion and contribute 49% of the overall revenue of the company (Water sales would then be 14% and Services 37% of the revenue).

Water: Group subsidiaries Bowarege & ACWA Power Barka produce water. During 2013, one of the barges of Bowarege was damaged by fire, however an insurance claim has covered the significant portion of the losses.


Operating costs
Operating cost comprises development expenses incurred for projects that have achieved financial close and fixed and variable operation and maintenance costs incurred at the consolidated businesses. Costs for the projects generally comprise chemicals, fuel, salaries and wages, routine and annual plant maintenance, consumables and spares, insurance, development fees, plant depreciation and amortization, replacement costs of membranes and other equipment, environmental health and safety expenses, outsourced labor and manpower costs incurred in the operation and maintenance of the asset portfolio.

Other costs
Other costs mainly include general and administrative expenses and provisions and write-off of the development costs of discontinued projects. General and administrative expenses are made up of staff costs, office costs, telecommunication and internet, utilities, general repair and maintenance, general insurance, travel and subsistence, legal and professional charges.

Other income
Other income mainly comprises insurance claims (a significant portion relates to the Bowarege fire claim), service fee charges to projects, recovery of finance cost from project companies and profit on fixed deposits.

Finance costs
Financial charges are largely driven by interest on long term loans of ACWA Power and its consolidated businesses. Commission on letters of credits and guarantees issued by the financial institutions arise from the commitments of ACWA Power to its various investments and development projects.
Actual Cash In Flows (SAR in Million)

2013 (SAR 299 Mn)

- Cash inflows from subsidiaries 123
- Cash inflows from associates & JV 118
- Others 58

ACWA Power receives cash distributions from its businesses by way of various fees including dividend, management and technical services, development fees and various other services.

Significant decline in others mainly relates to penalties from the off-taker of an associate of the Group.

Associates are those entities in which the Group has significant influence (but not control) over the financial and operating policies. Joint ventures are those entities where the Group shares effective control with other shareholders of the investee company.

The Group’s investments in its associates and joint ventures are accounted for using the equity method of accounting from the date that the significant influence or joint-control commence until the date that such influence or joint-control ceases.
GOVERNANCE REPORT

Group Facilities:
Loans and facilities as reported on the Group’s consolidated balance sheet can be classified as ‘non-recourse’ or ‘with-recourse’ facilities. Non-recourse facilities are generally secured by the borrower (i.e. a subsidiary) with its own assets, contractual rights and cash flows and there is no recourse to the Company under any guarantee or other forms of credit support. The with-recourse facilities are direct borrowings or those guaranteed by the Company and are generally utilised to fund equity contributions (including shareholder loans) for construction or acquisitions as well as for development activities.

Share Capital:
The Company’s authorised and fully paid up share capital consists of 519,825,944 Shares of SR 10 each. In January 2013, the Company issued 89.4 million shares to Sanabil Direct Investment Company and Saudi Public Pension Agency. In March 2013, the Company issued 73.1 mn shares to certain existing shareholders and a subsidiary of the Company in settlement of loans.

Treasury Shares:
Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group’s own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them.

In the Company’s Extraordinary General Meeting held on 26 Dhul Qadah 1434H (corresponding to 2 October 2013), the shareholders passed a unanimous resolution to buyback and cancel all treasury shares, held by the Group’s subsidiary.

Tangible Networth:
Tangible net worth, as defined by the management of the Group, is the total equity of the Group before cash flow hedge reserve (comprising the below elements) less the value of Goodwill in the consolidated balance sheet as of the reporting date.

<table>
<thead>
<tr>
<th>SAR in ‘000</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share capital</td>
<td>5,190,959</td>
<td>3,710,216</td>
</tr>
<tr>
<td>Treasury shares</td>
<td>–</td>
<td>(133,654)</td>
</tr>
<tr>
<td>Statutory reserve</td>
<td>141,014</td>
<td>95,111</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>1,082,769</td>
<td>686,352</td>
</tr>
<tr>
<td>Minority interests</td>
<td>1,093,533</td>
<td>1,046,086</td>
</tr>
<tr>
<td></td>
<td>7,508,275</td>
<td>5,404,111</td>
</tr>
<tr>
<td>Less: Goodwill</td>
<td>(2,264,671)</td>
<td>(2,264,671)</td>
</tr>
<tr>
<td>Tangible net worth</td>
<td>5,243,604</td>
<td>3,139,440</td>
</tr>
</tbody>
</table>
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