



**The Custodian of the Two Holy Mosques  
King Salman Bin Abdul Aziz Al Saud  
King of The Kingdom of Saudi Arabia**



**His Royal Highness**

**Prince Mohammed Bin Salman Bin Abdul Aziz Al Saud  
The Deputy Crown Prince and Minister of Defense**



**His Royal Highness**

**Prince Mohamed Bin Nayef Bin Abdul Aziz Al Saud  
The Crown Prince and the Minister of Interior**

## Members of Board Directors



**Eng./ Abdul Aziz Bin MOH'D Al Namlah**  
**Chairman of the Board**



**Mr. Yehia Ben Ibrahim Al-Qalbit,**  
**Member of the Board**



**Eng. Abdallah Bin Abdul Rahman Al Obeikan**  
**Deputy Chairman**



**Eng. Suliman Bin MOH'D Al Namlah**  
**Member of the Board**



**Eng. Abdul Raouf Bin Waleed Al Bitar**  
**Member of the Board**



**Eng. Saad Bin Saleh Al Azwari**  
**Member of the Board**



**Eng. Mohammed Bin Abdul Aziz Al Namlah**  
**Member of the Board**



**MIDDLE EAST SECURITIES CO. (MESC)**  
**Eng. Saad Amash Al Shammary**  
**Member of the Board**



**Mr. Aziz Bin Mohamed Al Qahtani**  
**Member of the Board**

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## Introduction



### In The Name of Allah, the Most Beneficent, the Most Merciful

It's pleasure of Board of Directors of Middle East Specialized Company (MESC) to submit tenth annual report, including works, results, performance and financial situation of the company in the fiscal year that end on 31/12/2016. Also, the report included full conclusion of works of the company developments and result during 2016, it was full-of-challenges year, of which MESC approved its ability to continue directing towards achieve its goals.

Also, it reflects different activities and effective participation in the local and international markets; and participation in developing the national economic. Based on efforts of company's employees and your continuous support, MESC Company became one of the leading company in

manufacturing all types of cables and meeting requirements of contractors, either inside or outside the Kingdom.

At the beginning of 2017, we were keen for developing proactive plan which would enable "MESCC" to face current economic changes and challenges, and continue its graduated works, with seeking to achieve its strategic goals and ambitious anticipations.

Also, it's our pleasure to extend our gratitude to our customers for their loyalty to the company, to our contributors for their continuous support for us and to all employees of the company for their fulfillment and efforts to achieve goals of the company. Board of Directors of the company is completely ready to response for all inquiries regarding information stipulated in this report and/ or any other inquiries through the upcoming meeting of general assembly, the appointment of which will be declared later.

**Best Regards**

**Board of Directors**

### Greetings



We extend our thanks to Allah to fortunate your company to achieve profits during fiscal year 2016, as profits of the company reached 79.8 million Riyals. The main reason of that is that company sold its share (29.1%) in the affiliate company (MESC Jordan) which, in turn, led to eliminate loses allocations in amount of 73.9 million Riyals, knowing that share of company of the other affiliated company (MESC for mean and high voltage cables) in Jordan reached 15.2 million Riyals, loses of the company is because of continuous of serve competition in the field of the power cables, in addition to geo-politics conditions of Jordan neighbor markets, Syria and Iraq. We would like to demonstrate to contributors that MESC Saudi Arabia and MESC Emirates made profits amounted 21.1 million Riyals, which are good results in comparing with results of pervious year and economic conditions around Saudi market and markets of sister countries in the Arab Gulf. Also, corrective measures applied by the company since 2014. The company continued obtaining high profit-margin purchases order with seeking to reduce costs and improving key performance indicators.

I would like to emphasize that your company is executing improvement projects and elevate quality of its operations, which will have positive effect in the upcoming years.

**Eng./Aiman I. Al- Masri**

Chief Executive Officer

## Description of the Main Activity of the Company:

### MESC Company:

**Middle East Specialized Company (MESC)** established as Limited Liability Company with commercial register No.1010102402, dated 1/5/1413, corresponding (4/11/1992). His Highness, Minister of trade and commerce, according to ministerial decree Ni. 195, dated 21/7/1428, corresponding 4/8/2007) to transform the company to Saudi contributed company. The Capital of the company is 600 million Riyals, divided into 60 million shares, in amount of 10 Riyals for each.

The main activity of the company is producing and selling specialized cables (industrial), flexible cables, coaxial cables, rubber cable, Nylon-covered electric cables, telephone cables for internal expanding, computer cables, anti-fire cables, information transferring, controlling and low-voltage cables, buildings company and reinforcing cables.

### MESCs' affiliated company:

No	Company Name	Main Activity	Headquarter	Capital	Country of construction and operation	Date of constructing	Ownership percentage
1	MESC for Mean Voltage and High Voltage Cables	Producing Mean Voltage and High Voltage Cables	Oman- Jordan	25 million JOD	Jordan	2007	57.5%
2	MESC-RAK	Producing controlling cables, information transferring and low-voltage cables	Ras al-Khaimah, Emirates	50 million AED	Emirate	2008	100%

- 1) Capital of MESC for High and Mean Voltage Cables: 35 million JOD.  
(Equal to 185.1 SR) with 35 million shares.
- 2) Capital of MESC Ras al-Khaimah: 50 million AED (equal to 51 million SR).



## Products of the Company

MESC and affiliated companies are producing a wide variety of cables with different specifications where the number of subcategories of products manufactured by the company in the current time exceeded five hundred categories. The products are classified for four groups as following:

### 1) Industrial Specialized Cables:

These cables are used in manufacturing petrochemicals, oil, gas, and energy and heavy-industry projects. This group is the most produced cables by the company in its factory in Kingdom of Saudi Arabia and Emirate.

### 2) Building Management System Cables:

These cables are used in transferring visual and sound single, controlling and warning. Also, the application of these cables included fire alarming devices, national networks and telephone devices. Accordingly, it's used in a wide range in the trade centers, hotels, markets, commercial buildings. These cables are produced in factories of the company in the Kingdom of Saudi Arabia and Emirate.

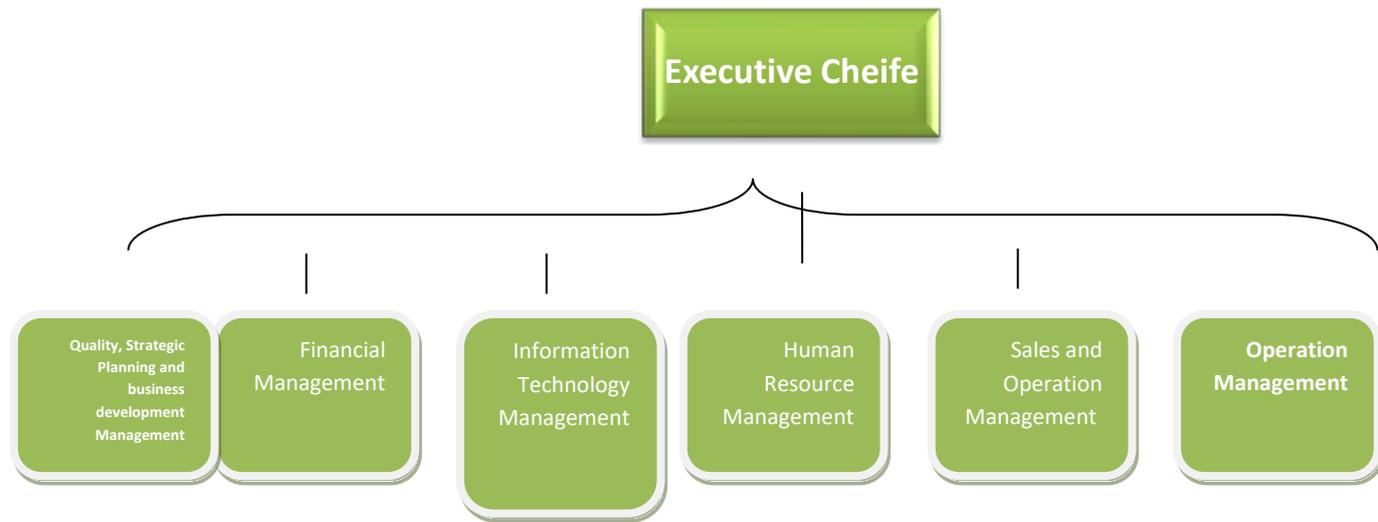
### 3) Mean Voltage Cables:

These cables are used in different electricity companies in the region, in addition to projects that require high voltage. These cables are produced in MESC for high and mean voltage cables.



Through different expansion in its industrial building over the past years, MESC was able to occupy a leading position in the national and international market as producer of wide variety of all different of the cables in the region. Also, MESC has the largest cables base in the Middle East. The knowledge of such markets by MESC, enable it to obtain a good fame, which clearly through being approved by senior contractors of the projects and companies which execute giant projects in Kingdom of Saudi Arabia and GCC Countries and across the world. MESC worked to prepare itself for any competition in the future to increase sales of MESC of industrial cables to GCC countries, Middle East countries and North Africa. In addition to continuing its national sales of low and medium voltage cables through sister companies in Jordan, which, in turn, enabled MESC to enter development markets, beside that the strategy is looking forward for more expansion, particularly, in the field of specialized cables in order to increase its sales in all markets.





### 1- Operation Management:

This management included the largest administrations, which is manufacturing management, largest number of management included the following administrations and departments: planning and controlling department- purchasing management- production management in the Kingdom of Saudi Arabia and Emirate, maintenance management- management of PVC factory- security and safety department.

### - Planning and controlling department:

Developing monthly and annually plans for production operations according to operating orders coming from sales department after coordinating with materials department to ensure providing of raw materials required for production processes of operating order, according to production energy of the factory and date of delivery.

## - Purchase department:

Purchase department is working on providing all requirements of the company of consumable materials and raw materials required for manufacturing and production. Also, spare parts, whether direct purchase or contracting with suppliers inside and outside Kingdom. In addition to providing materials, purchase department is managing suppliers affairs, qualifying and evaluating them to ensure dependability, quality and credibility which is the aim which MESC administration seek to achieve through conducting required technical tests inside and outside company. Also, customs clearance is considered an integral part of the tasks of purchase department, where the value of imported materials is about 90%

### Organizational Structure of the Company



of whole purchases of the company. Also, the annually purchases of the company is about 600 million Saudi Riyals, where copper material is estimated around 65% of the whole purchases of the company. Types of the materials purchased and used by the company are varied between raw materials and raw stocks for about 1560 different type. Materials classified as raw materials exceeded 5135 type. Regarding procedural aspect, purchasing operation is started by the need of consumers inside the company, either that provided by beneficiary in ERP system or that asked from human resource through MRP system, which supervised by specialists from management of planning raw materials to meet the requirements of the production.

### **- Production Department:**

Production department is executing and follow-up these programs through engineers and supervisors of the production during the production processes for all levels which are withdraw- lay-isolation- gathering- armoring- final isolation with full comply with standard measurements required for all manufacturing operations.

### **- Maintenance department:**

In charge of continuation of production through mechanical and electrical periodical maintenance for machines, fixing break downs, and performing maintenance of supportive services for production such as coaling and forklifts.

### **- Quality control department:**

Taking responsibility of applying and ensuring quality standards that matches specifications required, by checking raw materials (before manufacturing)- then, checking during manufacturing process (quality control), then, final checking by competent authorities.

### - Security and Safety Department:

Taking the responsibility of maintain readiness of company facilities to prevent occurrence of accidents through applying safety systems, in addition to management of security in the company and working to ensure the following of professional health and safety directives by all competent authorities.

### - Management of MESC factory for PVC:

MESC company, the leading manufacturing company for all types of cables, and measuring and controlling devices in the Middle East, is owning a new factory for PVC in Riyadh, Kingdom of Saudi Arabia, which is prepared with latest technologies to produce (PVC), which launches its production since first of April 2012, with production capacity reaches 3600 metric ton, annually.

The factory is producing PVC with high standard specifications for production of many types of cables. Also, related materials are available for many applications for electric cables, controlling cables, devices, wires of rolling deep pump, three principal flat cables, wires of devices and otherwise. Such PVC components are used in internal and external isolation of cables and wires. Also, such components are used in home extends, telecommunication cables, car cables. We are emphasizing that all products and components of PVC are matching required standards pursuant to ISO. Additionally, all of our components are manufactured from high-standard raw materials. One

of the most important strength points is our ability to manufacture components according to specifications required by our customers. Our factories included laboratories equipped by latest devices, experienced potentials which made MESC owned equipment and knowledge to focus on requirements of customers, their specified applications and operating requirements thereof.

## 2- Marketing and Sales Department:

Marketing and sales department is one of most important as it represents the link between the company and its customers and aims for increasing the efficiency and quality of all operations related to customers of the company including contractors of giant projects and governmental authorities, companies and corporations.

The company has many offices for marketing and sales including national such as (middle region- eastern region- western region) territorial offices in Emirate and Jordan to cover GCC and north Africa Countries, also, we have representatives in (Korea- Japan- GCC countries- Iraq- Egypt). The department including the following administrations:

- 1) Marketing administration.
- 2) Sales administration in Kingdom of Saudi Arabia.
- 3) Sales administration in Emirate.
- 4) Technical administration.
- 5) Quality administration.

## 3- Human Resources Department:

Human resources department is principal partner with other companies departments, as it's the department which cares for

human powers inside the company, through providing required work labors with focusing on qualified national potentials.

Also, new comers of national potentials are trained and qualified to achieve the technical required limit inside the factory, which resulted in increasing the functional consolidation and reducing loss of Saudi employees, which resulted that the company achieved the green range in ranges program, with percentage of 34%.

#### 4- Information Technology Department:

Information system administration is one of vital departments in the company, where it had developed the first phase of developing Oracle program, in a manner that in conformity with requirements of manufacturing cables and latest versions, where users are able to enter all data required which effect manufacturing processes, then, continuing to pricing the products to directed through entering manufacturing information of the cable and addressing design department through the system, via notifications, and avoid waste of time by entering manufacturing orders to be directed to all phases of manufacturing through the system, without need to enter them manually with all required options, in addition to, issuance of word order cards and blocks cards through the system to filled and entered in updated model to enter data accompanied to production process with all details including name of employee and actual working hours.

MESC company are enjoying the ability to follow-up works, in case of crisis, thanks to developed automatic system that operate from three different locations with high ability to retain information about all operations in all servers, computer and lab tops of the company.



Organizational Structure of the Members of Board of Directors



No	Name	Title	Executive committee	Committee of nominations and bounces	Auditing committee
1	Abdul Aziz Bin Mohamed Al-Namlah	Chairman of the Board	-----	-----	-----
2	Abdallah bin Abdul Rahman Al-Obeikan	Vice Chairman	Head	-----	-----
3	Yahya Bin Ibrahim Al-Qunaibit	Member of Board	-----	-----	Head
4	Saad Bin Saleh Al-Azwari	Member of Board	-----	Head	-----
5	Abdul Raouf Bin Waleed Al-Bitar	Member of Board	Member	Member	-----
6	Suliman Bin	Member of Board	-----	Member	Member

	Mohammed Al-Namlah				
7	Mohamed Bin Abdul Aziz Al Namlah	Member of Board	Member	-----	-----
8	Saad Bin Amash Al-Shammary	Member of Board	Member	-----	-----
9	Aziz Bin Mohamed Al Qahtani	Member of Board	-----	-----	-----



No	Name	Membership of other Boards of Directors	Classification of Membership
1	Abdul Aziz Bin Mohamed Al Namlah Head of Board of Directors	Distribution of Natural Gas Company (Closed) Abdu Al Aziz Mohamed Al Namlah (Closed)	Non-executive.
2	Abdallah bin Abdul Rahman Al- Obeikan Vice Chairman	Al-Obeikan group for investment (closed). Arab Shield for Insurance	Non-Executive
3	Yahya Ben Ibrahim Al- Qunaibit. Member of board of Directors and head of executive committee	N/A	Non-executive
4	Saad Ben Saleh Al Azwari Member of Board of Director and head of nomination and bounces committee	N/A	Independent,
5	Suliman Mohamed Al Namlah Member of Board of Directors, member of auditing committee, nomination and bounces committee	N/A	Non-Executive
6	Abdu Al Raof Bin Waleed Al Bitar Member of Board of Directors, member of executive committee, nomination and bounces committee	Al Hassan Ghazi Shaker Co, Gulf Isolation Group (closed) cooling regions co (closed) Sraya Al Aqba (Jordan) National Central Cooling Co AUE	Non-Executive.
7	Mohamed Bin Abdu Al Aziza Al Namlah	Malaz for insurance, Abdu Al Abdul Aziz Mohamed Al	Non-executive

	Member of Board of Directors and member of executive committee	Namlah (Closed) Gulf Isolation Group (Closed) Eastern Company for Petrochemicals (closed)	
8	Saad Bin Amash Al-Shammary Member of Board of Directors and member of executive committee	Kasb financial Co, Al-Obeikan Company for glass, Developed Company, Al Ihasaa for development Co,	Independent
9	Aziz Ben Mohammed Al Qahtani Member of Board of Directors and member of auditing committee	BCI Company, Sand for cooperative insurance, Labor services Company, Care Company for medical sciences (Closed) First Finance Company (Closed)	independent

## Record of attendance of board meetings

The total number of meetings of the Board of Directors was (5) meetings according to the record shown below:

	name	First meeting 28/2/2016	Second meeting 21/4/2016	Third meeting 22/6/2016	Fourth meeting 3/7/2016	Fifth meeting 7/12/2016	total
1	Abdulaziz bin Mohamed Al-Namlah	✓	✓	✓	✓	✓	٥/٥
2	Abdallah bin Abdulrahman Al-Obeikan	✓	x	✓	✓	✓	٥/٤
3	Yahya bin Ibrahim Al-Qunaibit	✓	✓	✓	✓	✓	٥/٥
4	Suliman bin Mohamed Al-Namlah	x	✓	✓	✓	✓	٥/٤
5	AbdelRaouf bin Waleed Al-Bitar	✓	x	✓	x	✓	٥/٣
6	Saad bin Saleh Al-Azwari	✓	✓	✓	✓	✓	٥/٥
7	Mohamed bin Abdulaziz Al-Namlah	✓	✓	✓	✓	✓	٥/٥
8	Mohamed ben owied Al-Juaid	✓	✓	✓	Membership expiration	-	٥/٣
9	Saad bin amash Al-Sammary	-	-	-	New designation	✓	٥/٢
10	Aziz bin Mohamed Al-Qahtani	-	-	-	New designation	✓	٥/٢

- The Board of Directors was re-elected for the new session which started from 2/7/2016 for 3 years.
- The membership of Eng. Mohamed Bin Oweid Al-Juaid has ended in 2/7/2016.



The list of Governance the company and corporate governance

The Company applies the mandatory and guiding provisions listed in the Corporate Governance Regulations issued by The Capital Market Authority. Dated 21/10/1427 H corresponding to 12/11/2006 ... and in accordance with the Statute of The company and the system of companies issued by the Ministry of Commerce, especially with respect to the rights of the shareholders and the commitment To Procedures for the application of disclosure and transparency standards to the fullest, with the exception of the article below, Which the company will complete its study for adoption and application at the next session of the Council. The company has been issued a system of corporate governance in line with the requirements of the Capital Market Authority, in accordance with The best practices adopted in corporate governance, were approved by the General Assembly of Shareholders at its fourth meeting ,In addition to preparing a set of regulations and policies that promote the application of this governance.

Article	Article text	Reasons for non - application
<b>Sixth Paragraph (d)</b>	Investors of legal persons acting on behalf of others Such as pension funds to disclose their voting policies and their actual voting in Their annual reports as well as disclosing how to deal with any material conflict of interest may Affect the exercise of the fundamental rights of their investments.	Not applicable to the company
<b>Twelfth paragraph (g)</b>	Not allowed to The person with legalized asset - who, according to the company's system, is entitled to appoint representatives in Board of Directors to vote on the selection of other members of the Board of Directors.	Not applicable to the company



### Ownership of major shareholders:

name	Number of Shares Beginning of the year	Ownership Percentage Beginning of the year	Number of Shares End of the year	Ownership Percentage End of year	Change ratio during the year
Abdallah bin Mohamed Al - Namlah	2.427.011	4.05%	2.303.444	3.84%	5%
Mansour bin Abdul Aziz Kaki	3.843.750	6.41%	3.843.750	6.41%	-

A description of any interest accruing to the members of the Board of Directors, their wives and their minor children in the shares or debt instruments of the Company or any of its subsidiaries:

name	Beginning of year		End of year		Net change	percentage change
	Number of shares	Debt instruments	Number of shares	Debt instruments		
Abdulaziz bin Mohamed Al- Namlah	865.691	-----	865.691	-----	-----	-----
Abdul Raouf bin Waleed Al-Bitar	316.250	-----	316.250	-----	-----	-----
Yahya bin Ibrahim al-Qunaibit	1879	-----	1.879	-----	-----	-----
Suliman bin Mohamed Al-Namlah	575.000	-----	575.000	-----	-----	-----
Abdullah bin Abdul Rahman Al- Obeikan	10000	-----	10.000	-----	-----	-----
Saad bin Saleh Al-Azwari	1100	-----	1.100	-----	-----	-----
Mohammed bin Abdul Aziz Al-Namlah	2.216.136	-----	2.216.136	-----	-----	-----
Saad bin Amash al-Shammary	-----	-----	1.000	-----	-----	-----

Aziz bin Mohamed Al-Qahtani	-----	-----	1.020	-----	-----	-----
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**A description of any interest accruing to the members of the Board of Directors, their wives and their minor children in the shares or debt instruments of the Company or any of its subsidiaries:**

name	Beginning of year		End of year		Net change	percentage change
	Number of shares	Debt instruments	Number of shares	Debt instruments		
Aiman bin Ibrahim Al-Masri	none	none	none	none	-----	-----
Tamer Salama Said Ibrahim	none	none	none	none	-----	-----
Zafar Aslam	none	none	none	none	-----	-----
Abdulaziz bin Mohammed Al-Ogail	none	none	none	none	-----	-----
Jameel bin Reda Jameel Rafeek	none	none	none	none	-----	-----

Statement	Board members			Senior Executives
	executive	Non-executive	Independent	
Salaries	-----	-----	-----	3.810.610
Allowances	-----	132.000	81.000	1.187.488
Annual periodic bonuses	-----	-----	-----	1.255.257
Allowances of participation of committees	-----	750.000	575.000	-----
Any compensation or other kind of benefits payable monthly or annually	-----	-----	-----	-----
Total	-----	882.000	656.000	6.253.355

- Senior executives (five) including Chief Executive Officer and chief financial officer.



### **Nomination and Remuneration Committee:**

The Nomination and Remuneration Committee consists of three members: Eng. Saad Bin Saleh Al-Azwari (Chairman of Committee), Eng. Abdul Raouf bin Waleed Al Bitar and Eng. Sulaiman bin Mohammed Al Namlah, the Committee do the following tasks:

- Recommend to the Board of Directors to nominate for membership of the Council in accordance with the approved policies and standards, taking into account not Nominate any person who has already committed a crime of honor.
- Annual review of required needs of skills appropriate for board of directors' membership and preparation of a description of the capacities and qualifications required for membership of the board, including the determination of the time to be allocated of Member to the Board of Directors.
- Review the structure of the Board and make recommendations regarding possible changes.
- To sharpen weaknesses and strengths in the board of directors, and propose to address them in accordance with the interest of the company.
- Ensure of independence of the independent members annually and the absence of any conflict of interests if Member of the Board of Directors in another company board.
- Establish clear policies for compensation and rewards of directors and senior executives, taking into account in assign of such policies uses performance-related criteria.

The Committee of Nominations and Remuneration held two meetings during 2016.

The table below shows attendance Members of these meetings:

member name	First meeting 2016/2/24	Second Meeting 2016/12/23	Total
Saad bin Saleh Al-Azwari	✓	✓	2
Abdul Raouf bin Waleed Al- Bitar	✓	✓	2
Suliman bin Mohamed Al- Namlah	-----	✓	1

- The Committee of nominations and Remunerations were restructuring at the Board of Directors meeting held on 3/7/2016 to be as follows:

Saad Al-Azwari (Chairman) - Abdul Raouf Al Bitar (Member) - Suliman Al Namlah (Member).

### Audit Committee:

The Audit Committee is composed of three members: Mr. Yahya Bin Ibrahim Al Qunaibit (Chairman of the Committee) and Eng. Suliman Bin Mohammed Al-Namlah, Mr. Aziz Bin Mohammed Al-Qahtani and Eng. Mohammed Bin Oweid Al-Juaid

The committees do the following tasks:

- Oversee the internal audit department in the company, in order to verify its effectiveness in implementing Actions and tasks determined by the Board of Directors.
- Studying the internal control system and writing a written report on its opinion and recommendations.
- Study of internal audit reports and follow up the implementation of the corrective measures of the notes contained therein.
- Recommending to the Board of Directors to appoint legal accountants, dismissal and determination of their fees, and shall be taken into account in the recommendation of appoint making sure of their independence.
- Follow up the work of legal accountants and adopt any work outside the scope of the audit work entrusted to them while carrying out audit work.
- Studying the audit plan with the legal accountant and making their comments thereon.
- Studying the accountant's notes on the financial statements and following up on what has been done.

- Studying the preliminary and annual financial statements before submitting them to the Board of Directors and expressing their opinion and recommendation.
- Studying the accounting policies adopted and expressing the opinion and recommending to the Board of Directors.

#### Committees emanating from the Board of Directors



The Audit Committee held a (12) meeting during 2016, the table below shows attendance Members of these meetings:

Subject	Name			
	Yahya bin Ibrahim al-Qunaibit	Suliman bin Mohammed Al Namlah	Aziz bin Mohammed Al-Qahtani	Mohamed bin Oweid al-Juaid
First meeting 27/1/2016	✓	✓	✓	----
Second Meeting 2016/2/25	✓	✓	✓	----
Third meeting 21/4/2016	✓	✓	✓	----
Fourth Meeting	✓	✓	✓	----

20/6/2016				
<b>Fifth Meeting</b> 28/7/2016	✓	x	----	✓
<b>Sixth Meeting</b> 31/7/2016	✓	x	----	✓
<b>Seventh Meeting</b> 19/10/2016	✓	✓	----	✓
<b>Eighth meeting</b> 24/10/2016	✓	✓	----	✓
<b>Ninth Meeting</b> 20/11/2016	✓	✓	----	✓
<b>Tenth Meeting</b> 21/11/2016	✓	✓	----	✓
<b>Eleventh Meeting</b> 7/12/2016	✓	✓	----	✓
<b>Twelfth Meeting</b> 14/12/2016	✓	✓	----	✓
<b>total</b>	12	10	4	8

**The Board recommended to the General Assembly the composition of the Audit Committee in 30/7/2016, to be as follows:**

-Yahya Al-Qunaibit (Chairman) - Sulaiman Al Namlah (Member) – Aziz Al Qahtani (Member) , it has been approved To this decision at the Extraordinary General Assembly (Fifth) meeting held in 7/12/2016.

-Member Eng. / Mohammed Al-Juaid did not sumit for the current session, which began in 2/7/2016.

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### Executive committee:

The executive committee consists of four members, Eng. Abdulaziz Mohammed Al Namlah , Eng. Abdul Raouf Waleed Al Bitar, Eng. Abdallah Abdul Rahman Al Obeikan and Eng. Mohammed Abdulaziz Al Namlah And Eng. Saad Amash al-Shammary.

### And the Committee will perform the following tasks:

- Review plans and strategies prepared by the executive management of the company and its subsidiaries, and raise appropriate recommendations to the Board of Directors.
- Ensure that the Company's strategic plans have been translated into actual actions and actions aimed at Achieving the objectives of the company.
- Discussing and reviewing the reports submitted by the executive management

The Executive Committee held (7) Meetings during the year 2016, the table below shows the attendance of members for those meetings:

Subject	Name				
	Abdul Aziz Al-Namlah	Abdullah Al-Obeikan	Mohamed Al-Namlah	Abdul Raouf Al-Bitar	Saad Al-Shammary
First meeting 22/2/2016	✓	✓	✓	x	---
Second Meeting	✓	✓	✓	x	---

18/4/2016					
Third meeting 21/6/2016	✓	✓	✓	✓	---
Fourth Meeting 19/10/2016	---	✓	✓	✓	✓
Fifth Meeting 27/11/2016	---	✓	✓	x	✓
Sixth Meeting 22/12/2016	---	✓	✓	x	✓
Seventh Meeting 29/12/2016	---	✓	x	x	✓
total	3	7	4	8	4

The Executive Committee was reconstituted at the Board of Directors' meeting held on 3/7/2016 to be as follows:

Abdullah Al Obeikan (Chairman) - Abdul Raouf Al Bitar (Member) -  
Mohammad Al Namlah (Member) - Saad Al Shammary (Member).

#### Risk Management and Expectations



The audit committee supervises the internal audit work of the company, where the annual plan is approved To the Internal Audit Department, and to monitor it regularly to verify the adequacy and effectiveness of the system and internal control procedures and the fairness of the financial statements.

-The Audit Committee study during 2016 the periodic reports prepared by the Internal Audit Department in the Company and discuss the observations reached. The meeting with the executive management to discuss matters

Relevant to the work of the Committee. As well as follow up the work of the External Auditor, and provide Periodic summaries to the Board of Directors of the company on the work of the Committee and appropriate procedures and recommendations.

The Committee also took place during 2016, To follow up the implementation of the transition project for international accounting standards With the executive management of the company. The Audit Committee also recommended to the Board of Directors the adoption of policies (IFRS) which are in line with international accounting standards.

Based on the above, taking into consideration any internal control system that provides reasonable safeguards and not absolute, the results of such audits did not show any significant or effective defect on internal control system and procedures in the company.



### Risk Management:

The management of the company adopts a clear methodology to confront the risks in the company on a continuous basis aiming to sharpen The various risks faced by the company, and the impact of these risks on its operations and the Probability of its existence whether these risks related either Company's operations or market risks.

In order to determine the priorities of dealing with it, the risks are arranged according to their importance And the means to be followed to reach an acceptable level of risk, and the principal risks To Company summarizes at:

- Fluctuations in prices of raw materials.
- Equipment risk, operational costs and business disruption risk.
- Credit risk.
- Dependence on key customers.
- Financing risks.
- Dependence on the major suppliers.
- Risks related to licenses and permits
- Reliance on major raw materials.

### Future outlook for the company's business:

As a result of the growth in sales and profits, the company is constantly improving The Performance and productivity that helps the company to exploit opportunities in the local market and the markets of the middle East

and other markets, in addition to what has been achieved in this aspect the company is working on:

- Completion of the performance improvement program, which was launched since 2014, which will have a positive impact on the flexibility of the company's performance and meet the requirements of projects.
- Start expanding into neighboring markets and looking for production export opportunities for emerging markets.
- National Partnership for the National Transformation Program 2020 , and Vision of 2030 because of their significant impact on Local content of national industries
- The company continues to support the national cadres by settling jobs and developing national competencies while providing all Ways of creativity and growth.

### Social Responsibility :

MISC Company is keen to serve the Saudi community through several programs and the most important of these programs:

- Participation in the annual care of the Association of Disabled Children.
- Participation in the campaign “God gives you the best” of the Association of children with disabilities.
- Participate in the care of the health charity for patient care.
- Participating in the sponsorship of the National Guard Magazine.
- Participating in the sponsorship of the magazine Amnon affiliated to the Ministry of Interior - Public Security.

### Update of the transition to International Accounting Standards (IFRS):

- Based on the requirements of the Capital Market Authority for listed companies in the Saudi Stock Exchange (Tadawul) To Application International accounting standards approved by the Board of Directors of the Saudi Organization for Certified legal Accountants.
- The Company wishes to clarify the latest developments of the transition to international accounting standards as follows:
  - 1- The settlement of the opening balances and the related notes has been completed, which contains the effect of the application of the standards International Accounting.
  - 2- Accounting policies that are in line with international accounting standards have been adopted by the Board of Directors dated 28/12/2016.
  3. The financial statements for the first quarter of the year 2016 have been completed (number of comparison to first quarter 2017) according to International Accounting Standards.

4. There are no material effects on the Company following the application of International Accounting Standards.
5. The company does not face any difficulties and does not expect to face any major obstacles in the process of transformation of standards International Accounting.
- 6- The company is now ready to prepare the first financial statements according to international accounting standards for the first quarter of 2017 during the specified statutory period.



The following table shows the geographical distribution of the company's activities between Saudi Arabia Through its parent company “MISC” and the Hashemite Kingdom of Jordan through Al Sharq Company Middle East for Specialized Cables. Misk-Jordan (up 31/3/2016) and MISC for Cables of Middle and Upper voltage , and United Arab Emirates through MISC - Ras Al Khaimah.

	Kingdom of Arabia Saudi	Jordan (SR)	Emirate (SR)	Exclusions (SR)	Total (SR)
<b>31/12/2016 (review)</b>					
sales	705.292.480	120.274.096	235.951.408	225.354.090	836.163.894
Gross profit	95.757.550	3.392.148	22.977.208	-----	122.126.906
Loss before non-controlling Property rights	91.250.150	26.001.984	3.760.483	-----	69.008.649
Total assets	859.497.414	153.537.030	338.904.248	310.457.488	1.041.481.204
Total liabilities	401.199.941	161.853.631	158.157.755	124.460.307	596.751.020
<b>31/12/2015 (review)</b>					
Sales	654.584.868	191.908.886	217.045.185	175.851.908	887.687.031
Gross profit	67.624.212	3.243.521	16.345.938	-----	80.735.629
Loss before non-controlling Property rights	27.812.991	125.725.079	311.758	-----	153.226.312
Total assets	756.306.462	321.082.153	340.693.543	282.098.504	1.136.253.312
Total liabilities	382.313.844	446.792.493	137.116.059	140.648.070	825.574.326

### Sales by geographical distribution



### Charts of Financial Performance (1)



### Gross profit



## Total shareholders' equity



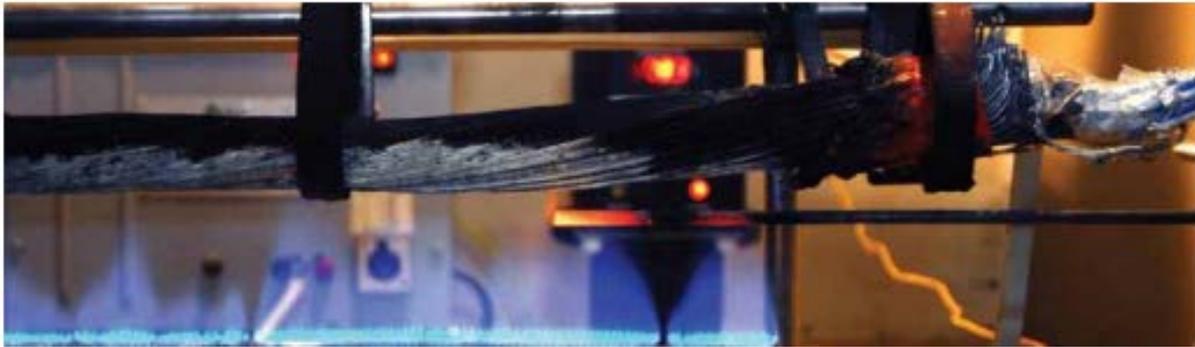
## Summary of financial results



The audited financial results for the year ended December 31/12/2016 as follow:

- Net profit amounted to 79.8 million SAR, compared to a net loss of 103.7 Million SAR for the previous year.
- Earnings per share were 1.33 SAR compared to a loss of SR 1.73 for the previous year.

- The gross profit amounted to 122.1 million SR, compared to 80.7 million SR for the previous year, an increase of 51.3%.
- Operating profit amounted to SR 27.4 million, compared to an operating loss of SAR 119.6 million for the previous year.
- The net profit for the year compared to net loss during the previous year is due to:
  - improving in profitability during the current year.
  - Recording of impairment charges for machinery and equipment in subsidiaries in Jordan and for additional allocations for stocks and debts doubtful during the previous year.
  - The decrease in expenses in general after the separation of the financial statements of the subsidiary in Jordan (MISC Jordan) which took place during the second quarter of this year.
  - The amount of the hedged excess of the value of the investment in MISC Jordan was reversed as a result of the sale Of 29.1% of the company's share during the current year.
- Certain comparative figures for the previous year have been reclassified to conform with the supply for the current year.
- Total sales during the current year amounted to SR 836.2 million compared to SR 887.7 million for the previous year. With a reduction of 5.8%.
- The total shareholders' equity (after excluding minority interests) as at 31 December 2016 amounted 458.3 million Compared to SR 374.0 million as 31/12/2015 with an increase of 22.5%.



## Summary of financial results



### Table showing financial performance:

	2016	2015	2014	2013	2012
(Millions of Saudi Riyals)					
Total sales	836.2	887.7	858.5	930.7	990.6
Sales cost	714.0	807.0	752.0	784.8	829.4
Gross profit	122.1	80.7	106.5	145.9	161.2
Operating profit (loss)	27.4	119.6	2.4	49.6	53.5
Income (loss) before Zakat and tax Foreign income and non-dominant property rights	76.4	149.7	31.1	23.7	6.1
Net income (loss)	79.8	103.7	23.1	30.4	31.1
Total assets	1.041.5	1.136.3	1.329.0	1.400.5	1.354.3

Total liabilities	596.8	825.6	864.7	859.3	1.058.8
Total loans	296.3	599.0	651.3	675.0	862.1
Shareholders' equity	458.3	374.0	480.9	503.9	281.5
Return on Equity	17.4%	27.7-%	4.8-%	6.0%	11.0%
Return on assets	7.7%	9.1-%	1.7-%	2.2%	2.3%
Gross profit margin	14.6%	9.1%	12.4%	15.7%	16.3%
Net profit margin	9.54%	11.68-%	2.69-%	3.27%	3.14%
Trading rate (time)	1.34	1.36	1.51	1.80	1.19
Total liabilities to total assets	57.3%	72.7%	65.1%	36.9%	87.2%
Revenue growth rate	5.8-%	3.4%	7.8-%	6.0-%	13.1-%

## Total liabilities



## Total assets



## Loans

### 1- Short term loans and Murabaha:

Short term loans	Saudi riyals		
	2016	2015	2014
The Housing Bank	17.233.884	59.231.089	34.631.659
Commercial Bank of Jordan	0	0	0
United Arab Bank	0	4.401.269	8.435.887
Emirates NBD	24.464.414	28.091.474	40.526.160
<b>Total Short Term Loans</b>	<b>41.698.298</b>	<b>91.723.832</b>	<b>83.593.706</b>
Short term Murabaha			
Dutch Saudi Bank	61.000.000	49.500.000	75.000.000
<b>Short term Murabaha total</b>	<b>61.000.000</b>	<b>49.500.000</b>	<b>75.000.000</b>
<b>Total short term loans and murabaha</b>	<b>102.698.298</b>	<b>141.223.832</b>	<b>158.593.706</b>

### 2- Long term loans and Murabaha:

	2016	2015	2014
Loans from local commercial	173.327.035	426.041.326	446.073.345

banks			
Saudi Industrial Development Fund Loan	20.289.000	31.773.000	46.651.000
	193.616.035	457.814.326	492.724.345
Rolling part	118.202.743	160.880.703	157.475.923
	75.413.292	296.933.623	335.248.422



## Loans

### 1- A table showing the details of long term bank loans:

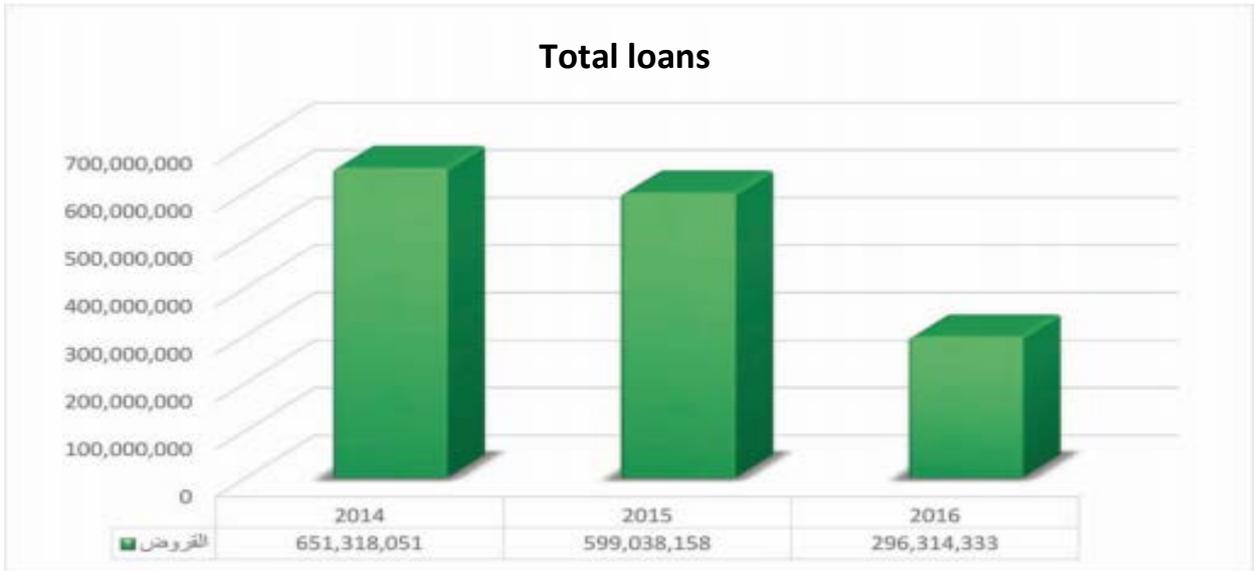
	Loan asset	Loan term (years)	Paid until 31/12/2016	Paid during 2016	The remaining balance as in 31/12/2016
Dutch Saudi Bank Joint loan (a)	260.000.000	6	211.507.130	31.746.435	48.492.870
Dutch Saudi Bank Joint loan (b)	61.588.798	5	-----	-----	61.588.798
Jordan Financial Bank	20.338.990	8	590.818	590.818	19.748.172
The Housing Bank for Trade and finance	44.795.859	8	1.298.664	1.298.664	43.497.195
total	386.723.647		213.396.612	33.635.917	173.327.035

### 2- Table showing loan of Saudi Industrial Development Fund:

	Loan asset	Loan term(years)	Paid until 31/12/2016	Paid during 2016	The remaining balance as in 31/12/2016
Seventh expansion loan	28.300.000	7	28.300.000	4.023,000	-----

eighth expansion loan	18.750.000	6	12.961.000	4.961.000	5,789.000
Ninth expansion loan	19.500.000	6	5,000.000	2.500.000	14.500.000
Total	66.550.000		46,261,000	11.484.000	20.289.000

# Loans





**A statement of the value of the statutory payments due with a brief description and its reasons:**

S	statement	2016	2015	description	reason
1	zakat	7.778.948	3.572.768	Regular payments due in accordance with the provisions and rules of zakat obligation and the instructions of the General Authority for Zakat and Income in the Kingdom	regular Requirements
2	Social insurance	2.882.994	2.724.775	Regular payments due in accordance with the provisions and rules of General Organization for Social Insurance in the Kingdom	regular Requirements
3	customs fees	6.134.045	4.882.488	Regular payments due in accordance with the provisions and rules of import and export operation as govern fees in the kingdom	regular Requirements

**Transactions with related parties:**

There's a transaction relation between engineer: Abdul Aziz bin Mohamed Al-Namlah (chairman) and engineer: abdul Rauf bin waleed Al-baitar and the company (sell and buy) its Renewal orders are issued annually with a license from the General Assembly of the Company as follows:

S	Name of company	Transaction type	Related Member	Nature of relation	Amount (rials)
1	Middle East Fiber Optic Cable Company	Purchase ready goods	Abdelaziz bin Mohamed Al-Namlah	Partially owned by the Chairman of the Board	1.940.028
2	Middle East Fiber Optic Cable Company	Providing services and business	AbdulAziz bin Mohamed Al-Namlah	Partially owned by the Chairman of the Board	3.409.173
3	Contractor Works Company	Sell Cables	Abdelaziz bin Mohamed Al-Namlah	Partially owned by the Chairman of the Board	760.280
4	Middle East Metal & Plastic Molding Co. Ltd.	Buy molds and plastic	Abdel Rauf bin Waleed Al-baitar	Partially owned by the member of the Board	13.650

## Profit Distribution Policy



### Company's dividend distribution policy:

When the Company achieves profits, the dividend distribution is based on a recommendation from the Board of Directors of the Company to The General Assembly based on the profits achieved during the year, in addition to studying the status of cash flows And future commitments ,to achieve the objectives of the company and the aspirations of its shareholders.

**Article 48 of the Company's system provides for the distribution of profits as follows:**

- 1- Avoidance of (10% Of the net profit to form the statutory reserve of the Company and may be decided by the General Assembly to stop this avoidance when the reserve is (30%) of the paid-up share capital.
- 2 - The Ordinary General Assembly on the proposal of the Board of Directors can avoid (5%) of the net profit to compose paid Reserve allocated.
- 3- The Ordinary General Assembly may decide to establish other reserves, to the extent that it serves the interests of the company or ensure the distribution of stable profit dividend as possible to shareholders. The association may also deduct from Net profits amounts for the establishment of a social institution for the company's employees or for the assistance of existing ones.
- 4-4The remainder shall be distributed to the shareholders representing 5% of the paid up capital of the company.
- 5-5 Subject to the provisions stipulated in Article (21) of these Regulations, and Article (76) of company system, (5%) of the balance to be paid to the Board of Directors, The entitlement to this award is commensurate with the number of sessions attended by the member.



### Disclosures:

- 1- There is no arrangement or agreement whereby a member of the Board of Directors or a senior executive resigns the salary or compensation.
- 2 - During the year 2016, the company did not report any change in shareholders' equity except for members of the Board of Directors and senior shareholders Executives.
3. There is no arrangement or agreement whereby one of the shareholders of the Company waives its rights of profit.
- 4- No other investments or reserves have been created for the benefit of the Company's employees.
- 5 - The Ordinary General Assembly (Tenth) of the company (MESC) was held on Thursday, July 14<sup>th</sup>1437 H. Corresponding to 21/4/2016 Including the election of the Board of Directors in the new session starting from 2/7/2016 for (Three years) and in the ordinary voting method.
- 6- The Extraordinary General Assembly (Fifth) was held on 8/3/1438 H corresponding 7/12/2016 To approve the amendment of the statute of the company "MISC" in line with the new corporate system as well Approval of the formation of the Audit Committee and adoption of the rules of selection of members of the Committee and the completion of its tasks, and its work rules and the rewards of its members for the new session, which starts from the date 2/7/2016 for three years and the candidates are: Yahya Al-Qunaibit, Suliman Al-Namlah, Aziz Al-Qahtani.
7. The Company has been fined SAR 20 thousand by the Capital Market Authority (CMA) For violation of article 46, paragraph (a), of the Capital Market Law and paragraph (a) article (41) Of the Rules of Registration and Listing, based on paragraph (b) of Article 59 of the Regulations of The financial

market, in order not to inform the company and the Authority and the public at the specified regulatory time for signing a contract Between Al-Mask Company for medium and high voltage (subsidiary) and Saudi Electricity Company Dated 30/9/2014 To supply medium voltage cables with a total value of 107.8 Million Saudi riyals, If The company did not report this until 24/11/2014.

8 - A fine of 40 million riyals was imposed on the Company by the Capital Market Authority (CMA) For violation of article 46, paragraph (a), of the Capital Market Law and article (a),article 41 Of the Rules for Registration and Listing, based on paragraph (b) of Article 59 of the Regulations Financial market, in order not to inform the company and the public at the specified time for the appointment of Ibrahim Al Masry as CEO of the company on 23/12/2015, it didn't announced only by a date 24/12/2015 after closing the market.

The company's announcements on the Tadawul website during 2016 (Company Code 2370):

S	DATE OF ANOUNCEMENT	Description of announcement
1	12/1/2016	Further announcement from Middle East Specialized Cables Company regarding the financial impact of increasing energy prices.
2	21/1/2016	Middle East Specialized Cables Company announces its inability to publish its preliminary financial results for the fourth quarter of 2015.
3	27/1/2016	Middle East Specialized Cables Company announces its preliminary financial results for the period ending 31-31-2015 (twelve months).
4	25/2/2016	Middle East Specialized Cables Company announces its annual financial results ending on 31 / 12/2015.
5	2/3/2016	Middle East Specialized Cables Company announces the opening of the nomination for membership of the Board of Directors of the Company.
6	15/3/2016	Middle East Specialized Cables Company invites its shareholders to attend the Ordinary General Assembly (1st Meeting).
7	28/3/2016	Middle East Specialized Cables Company announces the signing of an agreement to sell part of the company's shares in Middle East Specialized cables – MISC Jordan
8	30/3/2016	Announcement from Middle East Specialized Cables Company regarding the sale of part of its shares in Middle East Cable Company Specialized - Jordan MISC
9	12/4/2016	Middle East Specialized Cables Company invites its shareholders to attend the Ordinary General Assembly (1st Meeting)(Commemorative announcement.
10	14/4/2016	Middle East Specialized Cables Company announces that the Ordinary General Assembly of the Company will not hold its first meeting.
11	14/4/2016	Middle East Specialized Cables Company invites its shareholders to attend the Ordinary General Assembly (2nd Meeting).

12	19/4/2016	Middle East Specialized Cables Company invites its shareholders to attend the Ordinary General Assembly (2nd meeting) (Commemorative Declaration).
13	21/4/2016	Middle East Specialized Cables Company announces its preliminary financial results for the period ended 31 March 2016 (three months).
14	24/4/2016	Middle East Specialized Cables Company announces the results of its Ordinary General Meeting (2nd meeting).
15	1/7/2016	Middle East Specialized Cables Company announces the appointment of the Chairman and Vice Chairman of the Board of Directors and the formation of committees emanating from the Board for the new session.
16	31/7/2016	Middle East Specialized Cables Company announces its interim financial results for the period ended 30/6/2016 (six months).
17	7/8/2016	Middle East Specialized Cables Company (MISC) announces the receipt of a typographical error in the financial statements for the second quarter and published in PDF file at trading site on 29/10/1437 H corresponding to 03/08/2016.
18	15/8/2016	Middle East Specialized Cables Company invites its shareholders to attend the Extraordinary General Assembly Meeting (1st Meeting).
19	28/8/2016	Middle East Specialized Cables Company (MESC) announces the stages of its adaptation to the international accounting standards.
20	2/10/2016	Middle East Specialized Cables Company invites its shareholders to attend the Extraordinary General Meeting (1st Meeting) (Commemorative Declaration).
21	6/10/2016	Middle East Specialized Cables Company announces that the Extraordinary General Meeting of the Company has not been held.
22	11/10/2016	Middle East Specialized Cables Company invites its shareholders to attend the Extraordinary General Meeting (2nd Meeting).
23	16/10/2016	MESC announces its latest developments in the transition to international accounting standards.
24	19/10/2016	Middle East Specialized Cables Company announces its preliminary financial results for the period ending on June 30, 2016 (nine months).

25	7/11/2016	Middle East Specialized Cables Company announces that the Extraordinary General Meeting of the Company (Second Meeting).
26	7/11/2016	Middle East Specialized Cables Company invites its shareholders to attend the Extraordinary General Meeting (3rd Meeting).
27	8/12/2016	Middle East Specialized Cables Company announces the results of its Extraordinary General Meeting (3rd Meeting).

### Recommendations and confirmations of the Board of Directors



### The Board of Directors of Middle East Specialized Cables (MESC) recommends to your assembly as follow:

- 1- Vote on the Board of Directors' report of the financial year ending on 31/12/2016.
- 2- Vote on the Company's financial statements for the financial year ending on 31/12/2016.
- 3- Vote on the auditors' report for the financial year ended on 31/12/2016.
- 4- Vote on the selection of auditors of the company, among the candidates by the Audit Committee to Audited Financial Statements for the fiscal year 2017 and financial statements and determination of fees.
- 5- Vote to discharge the members of the Board of Directors from their responsibilities for the year 2016.
- 6- Vote on transactions between the company and Middle East Fiber Optic Cable Company Which is represented by the Chairman of the Board Eng. / Abdulaziz bin Mohammed Al-Namlah, which is a (buying goods ready and provide services and business) and licensing it for the coming year and there are no preferential conditions, note that Transactions for the

previous year 2016 represented in (Buy ready goods and provide services and work) amounted to 5.349.201 Riyals.

7- Vote on transactions that will be between the company and the contractor works company, represented by the Chairman of the Board Eng. Abdul Aziz bin Mohammed Al-Namlah, which is a (selling cables) and licensing for the coming year, There are no preferential conditions. Note that transactions for the previous year 2016 represented in sell of cables, Amounted 760.280 Riyals.

8- vote on transactions between the company and the Middle East Metal Molding Company And plastic represented by a member of the Board of Directors Eng. Abdul Raouf bin Waleed Al-Bitar, which is a ( Purchase of molds and plastics) and its license for the coming year, and there are no preferential conditions, note that transactions for the previous year 2016. Represented, in the (purchase of molds and plastic) amounted to 13.650 Riyals.

### **Management Confirmations:**

- 1- The records of the accounts have been prepared correctly;
- 2- The internal control system was prepared on right bases and effectively executed.
3. There is no doubt about the company's ability to continue its activity.

## Conclusion

Finally, its pleasure of Board of directors to extend its appreciations and gratitude to His Highness, Custodian of the Two Holy Mosques, King Salman Bin Abdul Aziz Al Saud, and to Crown Prince and Deputy Crown prince, for their continuous support for economy of this nation and for encouraging the private sector to exert more giving and welfare. Also, the Board extends gratitude and appreciation to all employees and contributors of the company for their loyalty and continuous support for the company. The Board of Directors is looking forward for more achievements and more excellence during 2017.

**God Bless**

**Regards**

**Board of Directors**

# Financial Data