

Al Batinah Power S.A.O.G. (the “Company”)
Report of the Directors for the nine months to 30 September 2014

1. Introduction

The Directors are pleased to submit their report, together with the financial statements of the Company, for the nine months to 30 September 2014.

The Sohar II plant was inaugurated by His Excellency Mohammed bin Salim bin Said Al Tobi (Minister of Environment and Climate Affairs) on 24th March 2014.

The Company undertook an Initial Public Offering (IPO) in May/June 2014 and became publically listed on the Muscat Securities Exchange (MSM) on 23rd June 2014.

There are no legal proceedings against the Company. The Company complies with and maintains high standards of Corporate Governance. In particular, the Company has an Audit Committee to oversee financial and accounting matters and advise the Board of Directors accordingly. The Company has also appointed a full time internal auditor.

2. Review of Operations

The Sohar II plant has operated well during the nine months of the current year and achieved 99.9% reliability, compared to 99.9% for the same period in 2013. The plant dispatched 2,897 GWh of power, which is higher than the same period in 2013 (2,125 GWh) due to start of commercial operations in April 2013. The planned plant maintenance for Q1 2014 was completed within schedule and the plant successfully passed its annual performance test on 20/03/2014.

The health and safety records for the Company and the O&M Contractor, STOMO (Suez-Tractebel Operations & Maintenance Oman), were excellent, with no Lost Time Accidents (LTA). No environmental incidents have occurred to 30 September 2014 and all of the required licences and permits are in place or in process of renewal and all reporting requirements have been satisfied.

3. Financial Result

3.1 Operating Revenue & Gross Profit

The Company achieved a turnover of OMR 44.3 million and an EBITDA of OMR 25.9 million, compared with OMR 36.5 million & OMR 25.3 million respectively in the same period in 2013

3.2 Operating, General & Administrative Costs (OGA)

OGA were OMR 24.1 million which included one off costs of OMR 0.4 million related to the IPO and plant inauguration.

3.3 Finance Expenses

Finance expenses were OMR 9.3 million

3.4 Net profit & Earnings per Share

The net profit for the Company for the nine months to September 2014 was OMR 8.2 million compared to OMR 12.2 million for the same period in 2013. Earnings per share (EPS) translate to Baiza 12.09 for the nine months ended September 2014 compared to Baiza 25.87 for the same period in 2013

* Important note: for purposes of comparison, the Company advises that it started operations in April 2013 and that its contractual tariff is highly seasonal (lower in October to March and higher in April to September). Therefore, while revenues for the 9-month period ended 30 September 2014 (9 months of operations) are higher than in the same period of 2013 (6 months of operations), the net profit is lower due to a blend of low and high tariff (while the same period in 2013 was not affected by low winter tariff) and further due to the one of settlement of liquidated damages under the EPC Contract in 2013. In terms of comparison of earnings per share, the weighted average number of shares outstanding in September 2013 is lower due to debt/equity conversion in 1 April 2013.

3.5 Dividends

The Company paid a dividend of Baiza 1.5 per share in July 2014 compared to Baiza 0.00 in the same period in 2013

4. Future Outlook

The Company expects that the plant will continue to perform well and that the financial performance for the full year 2014 should be as expected

The Board would like to close by expressing its sincere appreciation to the staff of the Company for their outstanding performance during this nine months of 2014 and for the critical support of all our Stakeholders.

On behalf of the Board of Directors, I would also like to take this opportunity to extend our gratitude to His Majesty Sultan Qaboos Bin Said and His Government for their continued support and encouragement to the private sector. May Allah protect them for all of us.

On behalf of the Board

Padmanabhan Ananthan
Vice Chairman

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Unaudited statement of profit or loss

for the nine month period ended 30 September

	<i>Notes</i>	2014 RO	2013 RO
Revenue		44,325,254	36,537,245
Direct cost	<i>9</i>	(23,188,993)	(17,152,968)
Gross profit		21,136,261	19,384,277
Liquidated damages		-	1,283,045
		21,136,261	20,667,322
General and administrative expenses	<i>10</i>	(885,393)	(319,928)
Profit before interest and taxes		20,250,868	20,347,394
Finance costs	<i>11</i>	(9,293,711)	(6,279,410)
Net profit before tax		10,957,157	14,067,984
Tax expense		(2,798,968)	(1,882,755)
Net profit after tax		8,158,189	12,185,229
Basic earnings per share *(Baizas)	<i>14</i>	12.09	26.97

- Variance in basic earnings per share between September 2014 and September 2013 is mainly due to the increase in share capital resulting from a debt/equity conversion on 01 April, 2013 (refer note 14 for details).

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Unaudited statement of comprehensive income

for the nine month period ended 30 September

	2014 RO	2013 RO
Net profit after tax	8,158,189	12,185,229
Other comprehensive income, net of tax:		
<i>Item that will be reclassified to profit and loss</i>		
Cash flow hedges - effective portion of changes in fair value	<u>(3,944,529)</u>	<u>12,165,086</u>
Total comprehensive income for the period	<u>4,213,660</u>	<u>24,350,315</u>

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Unaudited statement of financial position

as at

	<i>Notes</i>	30 September 2014 RO	31 December 2013 RO
Non-current assets			
Property, plant and equipment	3	285,251,877	290,980,174
Deferred tax asset		<u>946,847</u>	<u>430,743</u>
Total non-current assets		<u>286,198,724</u>	<u>291,410,917</u>
Current assets			
Trade and other receivables	5	5,908,302	2,643,075
Inventories		1,837,854	1,893,314
Cash and cash equivalents	6	<u>16,590,768</u>	<u>5,057,149</u>
Total current assets		<u>24,336,924</u>	<u>9,593,538</u>
Total assets		<u>310,535,648</u>	<u>301,004,455</u>
Equity			
Share capital	7(a)	67,488,743	67,488,743
Legal reserve	7(b)	1,091,682	1,091,682
Retained earnings		<u>16,260,500</u>	<u>9,114,642</u>
Shareholder's fund		<u>84,840,925</u>	<u>77,695,067</u>
Hedging reserve	7(c)	<u>(6,943,537)</u>	<u>(2,999,008)</u>
Total equity		<u>77,897,388</u>	<u>74,696,059</u>
Non-current liabilities			
Term loans	4	200,241,888	200,686,579
Derivative instruments		7,890,384	3,411,782
End of service benefits		9,046	6,146
Asset retirement obligation		453,167	425,119
Deferred tax liability		<u>6,845,959</u>	<u>4,068,320</u>
Total non-current liabilities		<u>215,440,444</u>	<u>208,597,946</u>
Current liabilities			
Term loans	4	12,397,905	11,875,621
Short term borrowing		-	2,655,000
Trade and other payables	8	<u>4,799,911</u>	<u>3,179,829</u>
Total current liabilities		<u>17,197,816</u>	<u>17,710,450</u>
Total liabilities		<u>232,638,260</u>	<u>226,308,396</u>
Total equity and liabilities		<u>310,535,648</u>	<u>301,004,455</u>
Net asset per share (Baizas)		126	153

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Unaudited statement of cash flows

for the nine month period ended 30 September

	2014 RO	2013 RO
Cash flows from operating activities:		
Net profit after tax	8,158,189	12,185,229
Adjustments for:		
Income tax expense	2,798,968	1,882,755
Depreciation	5,583,327	4,894,425
Loss on sale of property, plant and equipment	-	44
Ineffective portion of hedge	(3,360)	939
Amortisation of deferred finance cost	1,086,205	742,082
End of service benefits (net)	2,900	(67)
	<u>17,626,229</u>	<u>19,705,407</u>
<i>Changes in:</i>		
Trade and other receivables	(3,265,227)	(5,779,020)
Inventories	55,460	(74,769)
Asset retirement obligation	28,048	691,770
Trade and other payables	1,620,082	(3,846,487)
Net cash from operating activities	<u>16,064,592</u>	<u>10,696,901</u>
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(75,030)	(120,084,775)
Proceeds from sale of fixed asset	220,000	15
Transfer of capital work in progress	-	102,751,344
Net cash used in investing activities	<u>144,970</u>	<u>(17,333,416)</u>
Cash flows from financing activities:		
Movement in equity bridge loan	-	(60,262,377)
Movement in shareholder loans	-	(6,698,874)
Movement in share capital	-	66,988,743
Repayment/ proceeds from term loan	(1,008,611)	24,429,426
Dividend paid	(1,012,332)	-
Short term borrowing	(2,655,000)	-
Net cash (used in)/from financing activities	<u>(4,675,943)</u>	<u>24,456,918</u>
Net change in cash and cash equivalents	<u>11,533,619</u>	<u>17,820,403</u>
Cash and cash equivalents at beginning of the period	<u>5,057,149</u>	<u>1,452,188</u>
Cash and cash equivalents at end of the period (note 7)	<u>16,590,768</u>	<u>19,272,591</u>

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	Share capital RO	Hedging reserve RO	Legal reserve RO	Retained earnings RO	Total RO
Unaudited					
At 1 January 2013	500,000	(18,032,842)	166,667	4,442,260	(12,923,915)
Total comprehensive income for the period					
Profit for the period	-	-	-	12,185,229	12,185,229
Other comprehensive income for the period					
Changes in fair value of cash flow hedge, net of income tax	-	12,165,086	-	-	12,165,086
Total comprehensive income for the period	-	12,165,086	-	12,185,229	24,350,315
Transactions with owners of the Company					
Conversion of equity and shareholder loans	66,988,743	-	-	-	66,988,743
Total transactions with owners of the Company	66,988,743	-	-	-	66,988,743
At 30 September 2013	67,488,743	(5,867,756)	166,667	16,627,489	78,415,143
At 1 January 2014	67,488,743	(2,999,008)	1,091,682	9,114,642	74,696,059
Total comprehensive income for the period					
Profit for the period	-	-	-	8,158,189	8,158,189
Other comprehensive income for the period					
Changes in fair value of cash flow hedge, net of income tax	-	(3,944,529)	-	-	(3,944,529)
Total comprehensive income for the period	-	(3,944,529)	-	8,158,189	4,213,660
Transactions with owners of the Company					
Dividend	-	-	-	(1,012,332)	(1,012,332)
Total transactions with owners of the Company	-	-	-	(1,012,331)	(1,012,331)
At 30 September 2014	67,488,743	(6,943,537)	1,091,682	16,260,500	77,897,388

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Notes to the unaudited financial statements

At 30 September 2014

1 Legal status and principal activities

Al Batinah Power Company SAOG (the "Company") is a public Omani Joint Stock Company registered on 2 August 2010 under the Commercial Companies Law of Oman.

The Company's principal activities are as follows:

- Design, procurement, construction, commissioning and financing of the Sohar 2 Power Plant (the Plant) with a capacity of about 750 MW.
- The full operation and maintenance of the Plant in accordance with good practices throughout the useful life time of the Plant from the Commercial Operation Date (COD).
- Making available the demonstrated power capacity.
- Selling the electricity energy delivered to Oman Power & Water Procurement Company SAOC (OPWP).

The Company's issued share capital is owned 29.9% by Kahrabel FZE (Kahrabel), UAE (a GDF Suez entity); 14.3% by Multitech LLC (Multitech), Oman (a Suhail Bahwan group company); 7.15% by Blue Horizon Sohar Power B.V. (BH), Netherlands (a Sojitz Corporation group company); 7.15% by SEP International Netherlands B.V. (SEPI), Netherlands (a Shikoku Electric Power group company), 6.5% by Public Authority for Social Insurance (PASI), Oman, (together the Founder Shareholders) and 35% by Public.

Commercial Operation of the Plant was achieved by the Company on 3 April 2013.

2 Significant event

The Company – Initial Public Offering ("IPO")

At an Extraordinary General Meeting (EGM) held on 31 March, 2014, the Shareholders resolved to transform the Company into a public joint stock company (SAOG) organised under the laws of the Sultanate of Oman and to amend the Articles of Association accordingly.

The IPO was finalised during the month of June 2014 and the Company was listed on the Muscat Securities Market on 23 June 2014

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Notes to the unaudited financial statements At 30 September 2014

3 Property, plant and equipment

	Property, plant and equipment RO	De- commissioning asset RO	Technical spares RO	Others assets RO	Total RO
<i>Cost</i>					
1 January 2014	296,590,233	398,620	1,376,696	107,446	298,472,995
Additions during the period	10,670	-	34,070	30,290	75,030
Disposals during the period	(230,678)	-	-	-	(230,678)
30 September 2014	<u>296,370,225</u>	<u>398,620</u>	<u>1,410,766</u>	<u>137,736</u>	<u>298,317,347</u>
<i>Depreciation</i>					
1 January 2014	7,335,779	7,613	49,268	100,161	7,492,821
Charge for the period	5,526,075	7,558	42,290	7,404	5,583,327
Disposals during the period	(10,678)	-	-	-	(10,678)
30 September 2014	<u>12,851,176</u>	<u>15,171</u>	<u>91,558</u>	<u>107,565</u>	<u>13,065,470</u>
<i>Carrying amount</i>					
30 September 2014	<u>283,519,049</u>	<u>383,449</u>	<u>1,319,208</u>	<u>30,172</u>	<u>285,251,877</u>
31 December 2013	<u>289,254,455</u>	<u>391,007</u>	<u>1,327,429</u>	<u>7,285</u>	<u>290,980,174</u>

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Notes to the unaudited financial statements

At 30 September 2014

4 Term loans

	30 September 2014 RO	31 December 2013 RO
Term loans	222,907,564	223,916,175
Less: current portion	<u>(12,397,905)</u>	<u>(11,875,621)</u>
Non-current portion	210,509,659	212,040,554
Less: Unamortised transaction cost	<u>(10,267,771)</u>	<u>(11,353,975)</u>
	<u><u>200,241,888</u></u>	<u><u>200,686,579</u></u>

On 16 September 2010, the Company entered into a Common Terms Agreement (öCTAö), for credit facilities with a consortium of international banks, export credit agencies and local banks, with Credit Agricole Corporate and Investment Bank as the Global Facility Agent; Offshore Security Trustee, Offshore Account Bank, KEXIM Facility Agent and Commercial Facility Agent, Bank Muscat SAOG as Onshore Account Bank; Performance Bond Issuing Bank and Performance Bond Facility Agent and KfW Ipex Bank GMBH as the Hermes Facility Agent.

At 30 September 2014 and 31 December 2013 the facility limits and outstanding amounts were as follows:

	Limit RO	Outstanding RO
30 September 2014		
Hermes covered variable facility	72,286,000	68,310,270
KEXIM direct facility	44,923,058	42,452,289
Commercial facility	50,357,196	48,670,230
Hermes covered fixed facility	46,140,000	43,602,300
KEXIM covered facility	<u>21,029,074</u>	<u>19,872,475</u>
	<u><u>234,735,328</u></u>	<u><u>222,907,564</u></u>
31 December 2013		
Hermes covered variable facility	72,286,000	68,368,009
KEXIM direct facility	44,923,058	42,488,228
Commercial facility	50,357,196	49,531,338
Hermes covered fixed facility	46,140,000	43,639,212
KEXIM covered facility	<u>21,029,074</u>	<u>19,889,298</u>
	<u><u>234,735,328</u></u>	<u><u>223,916,175</u></u>

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Notes to the unaudited financial statements

At 30 September 2014

5 Trade and other receivables

	30 September 2014 RO	31 December 2013 RO
Trade receivables	5,656,403	2,098,917
Prepayments	27,564	363,456
Due from related parties (note 12)	93,662	11,124
Other receivable	130,673	169,578
	<u>5,908,302</u>	<u>2,643,075</u>

6 Cash and cash equivalents

Cash in hand and at bank	16,590,768	1,827,349
Short term deposit with a bank	-	3,229,800
	<u>16,590,768</u>	<u>5,057,149</u>

7 Equity

(a) Share capital

As at 30 September, 2014, the Company's issued and paid-up capital consists of 674,887,430 shares of 100 baizas each. The Company was incorporated with an initial paid-up capital of 500,000 shares of RO 1 each. In 2013 the Company increased its issued share capital from RO 500,000 to RO 674,887,430 by means of a debt/equity conversion of the equity bridge loans and shareholder loans.

The details of the shareholders are as follows:

30 September 2014

	Nationality	No. of shares held of nominal value RO 0.100 each	% of total	Aggregate nominal value of shares held RO'000s
Kahrabel FZE	UAE	201,791,343	29.90%	20,179,135
Multitech LLC	Omani	96,508,899	14.30%	9,650,890
SEP International Netherlands B.V.	Netherlands	48,254,453	7.15%	4,825,445
Blue Horizon Sohar Power B.V.	Netherlands	48,254,453	7.15%	4,825,445
Public Authority for Social Insurance Public	Omani	43,867,681	6.50%	4,386,768
		<u>236,210,601</u>	<u>35.00%</u>	<u>23,621,060</u>
		<u>674,887,430</u>	<u>100.0%</u>	<u>67,488,743</u>

31 December 2013

	Nationality	No. of shares held of nominal value RO 1 each	% of total	Aggregate nominal value of shares held RO'000s
Kahrabel FZE	UAE	31,044,822	46.0%	31,044,822
Multitech LLC	Omani	14,847,523	22.0%	14,847,523
SEP International Netherlands B.V.	Netherlands	7,423,762	11.0%	7,423,762
Blue Horizon Sohar Power B.V.	Netherlands	7,423,762	11.0%	7,423,762
Public Authority for Social Insurance	Omani	6,748,874	10.0%	6,748,874
		<u>67,488,743</u>	<u>100%</u>	<u>67,488,743</u>

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Notes to the unaudited financial statements At 30 September 2014

7 Equity (continued)

In 2013, the Capital Markets Authority (CMA) advised to proceed with a stock split of 1:10, i.e. 10 shares with a nominal value of 100 baizas in replacement of 1 share with RO 1 nominal value. Pursuant to the approval by the shareholders to proceed with the stock split during the Extraordinary General Meeting held on 18 February, 2014, the Articles of Association of the Company and the Shareholders Register at Muscat Clearing and Depository have been amended with effect from 30 March, 2014. Accordingly from 30 March, 2014, the Company issued and paid-up capital consists of 674,887,430 shares of 100 baizas each.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares are ordinary and rank equally with regard to the Company's residual assets.

(b) Legal reserve

Article 106 of the Commercial Companies Law of 1974 requires that 10% of a company's net profit be transferred to a non-distributable legal reserve until the amount of legal reserve becomes equal to at least one-third of the Company's issued share capital.

(c) Hedging reserve

Hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

8 Trade and other payables

	30 September 2014 RO	31 December 2013 RO
Trade payables	-	56,905
Accrued gas cost	1,433,562	600,489
Accrual interest cost	2,298,768	1,800,904
Other payable and accruals	1,067,581	721,531
	<u>4,799,911</u>	<u>3,179,829</u>

9 Direct cost

	30 September 2014	30 September 2013
Fuel gas	10,953,591	7,636,559
Operation and maintenance fee	5,005,636	3,587,564
Depreciation (note 4)	5,575,923	4,857,059
Seawater extraction	668,457	432,046
Generation license fee	33,687	19,315
OETC connection fee	146,642	96,506
Unwinding of discount	28,049	40,232
Insurance	585,212	363,567
Other operating expenses	191,796	120,120
	<u>23,188,993</u>	<u>17,152,968</u>

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Notes to the unaudited financial statements

At 30 September 2014

10 General and administrative expenses

	30 September 2014 RO	30 September 2013 RO
Office rent	13,872	11,221
Employment costs	74,101	66,452
Secondment fees	178,095	124,030
Agency fees	36,030	24,479
Audit and tax fees	11,997	10,982
Plant inauguration costs	121,313	-
Net IPO Costs	260,063	-
Depreciation (note 4)	7,404	26,136
Other general and administrative expenses	182,518	56,628
	<u>885,393</u>	<u>319,928</u>

11 Finance costs

Swap interest	3,731,222	2,508,775
Interest on term loans	4,307,036	2,990,175
Interest on working capital	23,406	7,794
Amortisation of deferred finance costs	1,086,205	742,082
Interest on payables	-	6
Ineffective/effective portion of hedge	(3,360)	939
DSRA LC cost	135,567	7,966
Interest income	(4,558)	-
Exchange loss	18,193	21,673
	<u>9,293,711</u>	<u>6,279,410</u>

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Notes to the unaudited financial statements At 30 September 2014

12 Related party transactions

The Company has entered into transactions with entities related to significant shareholders or directors (related parties). In the ordinary course of business, such related parties render services to the Company. During the period the following transactions were carried out with related parties:

(i) Purchase of services

	30 September 2014 RO	30 September 2013 RO
Purchase of services	5,489,548	3,759,367

(ii) Remuneration to directors

Directors sitting fees	12,200	7,800
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(iii) Period/Year end balances

	30 September 2014 RO	31 December 2013 RO
Due from related parties	93,662	11,124

13 Net assets per share

Net assets per share is calculated by dividing the net assets attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period

	30 September 2014	31 December 2013
Net assets ó shareholder funds (ROó000)	84,841	77,695
Weighted average number of shares outstanding during the period (=000s)	674,887	507,415
Net asset per share (Baizas)	126	153

Weighted average number of shares as at 31 December, 2013 is based on 5,000,000 shares outstanding as at 01 January, 2013 for three months (25% weightage) and 674,887,430 shares outstanding as at 31 December, 2013 for nine months (75% weightage).

(The price per share in 2013 was based on RO 1 per share. For purpose of calculating the weighted average it is assumed at 100 baizas per share to make it compatible with 2014 basis).

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Notes to the unaudited financial statements At 30 September 2014

14 Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period

	30 September 2014	30 September 2013
Profit for the period (ROØ000)	8,158	12,185
Weighted average number of shares outstanding during the period (±000s)	674,887	451,815
Earnings per share (Baizas)	12.09	26.97

Weighted average number of shares as at 30 September, 2013 is based on 5,000,000 shares outstanding as at 01 January, 2013 for three months (33.3% weightage) and 674,887,430 shares outstanding as at 30 September, 2013 for six months (66.7% weightage).