

BOARD OF DIRECTORS' REPORT

Dear Shareholders,

On behalf of the Board of Directors of Al Batinah Power Company SAOG (the "Company"), I have the pleasure to present the Directors' Report of the Company for the 6-months period ended 30 June 2017.

Operational Highlights

The plant successfully passed the annual performance test for the 5th Contract Year under the Power Purchase Agreement with OPWP (the "PPA") by demonstrating the Guaranteed Contracted Power Capacity on gas and fuel oil.

The plant operated with a reliability of 98.4% and delivered 2,310 GWh to the grid. The plant load for the period was 72.1% which is higher by 8.3% than corresponding period of 2016. Also the Company maintained its excellent record of zero lost time accidents, thereby clocking 2,186 lost time accident free days since inception, which is reflective of our continued focus on health, safety and environment ("HSE").

Financial Results

	6-month-2017 RO'000s Unaudited	6-month-2016 RO'000s Unaudited	Percentage change
Revenues	36,573	34,363	6.4%
Direct costs	(26,829)	(23,545)	
Gross profit	9,744	10,818	-9.9%
General and administrative expenses	(382)	(385)	
Profit before interest and tax	9,362	10,433	-10.3%
Finance costs (net)	(5,263)	(5,534)	
Profit before tax	4,099	4,899	-16.3%
Tax expense:			
- Current period	(662)	(705)	
- Prior period	(2,843)	-	
Net profit for the period	594	4,194	-85.8%

Higher plant generation enhanced the revenues and contributed to the increase of direct costs (gas cost). The higher direct cost than previous year is attributed to higher plant generation and maintenance on one of the gas turbines that was conducted in Q1 to increase the plant reliability during the summer. The general and administrative expenses maintained same level as previous year whereas the steady reduction in finance costs positively contributed to the result.

The change in the income tax rates pursuant to the Royal Decree 9/2017 has necessitated increase in provision for deferred tax which has significant negative impact on the bottom line. However, the change in tax rate is projected to have no cash impact in the near future as the Company has carry forward taxable losses that can be offset against future taxable income.

Corporate Social Responsibility

Guided by its new corporate social responsibility policy, the Company has contributed to the installation of interactive smart boards in Al Mutabra Basic School in Al Khwariya area. In addition, the company is supporting projects for interactive smart boards for two schools, soft playground for another two schools and a park for a fifth school.

Medium term Outlook

All reasonable measures are taken by the management to maintain the high reliability levels in 2017.

Any change in the power supply and demand landscape in the Sultanate has no material impact on the financial performance of the Company since its net profit is mainly derived from its plant reliability.

The Royal Decree 9/2017 was issued on 19 February 2017. The major changes are increase of the tax rate from 12% to 15% from January 2017, and the expansion of scope of withholding tax (the "WHT"). Secretariat General of Taxation (SGT) has issued "FAQ" related to the changes and is expected to issue an executive regulation to clarify the amendment made to other clauses of the Tax Laws. The total financial impacts of these changes are uncertain at this point of time.

In its endeavor to minimize the impacts of WHT, the Company has strived to avail benefits from Double Taxation Treaties (DTT) between Oman and other countries and requested SGT for confirmation and guidance with respect to uncertainty of the WHT liabilities.

Additionally, the Power Purchase Agreement with OPWP provides protection to the Company for Change of Law, and accordingly a formal notification has been made and the matter is being pursued with OPWP.

The share price was 140-183 Baizas during Q2 of 2017.

Finally, on behalf of the Board of Directors, I would like to extend our deep appreciation and gratitude to His Majesty Sultan Qaboos Bin Said and His Government for their continued support and encouragement to the private sector by creating an environment that allows us to participate effectively in the growth of the Sultanate's economy and to dedicate our achievements to the building of a strong nation.



Catherine Lorgere Chouteau
Chairperson of the Board

AL BATINAH POWER COMPANY SAOG**Unaudited condensed income statement***for the six month period ended 30 June*

	<i>Notes</i>	2017 RO'000	2016 RO'000
Revenues		36,573	34,363
Direct costs	3	(26,829)	(23,545)
Gross profit		9,744	10,818
General and administrative expenses	4	(382)	(385)
Profit before interest and tax		9,362	10,433
Finance costs (net)	5	(5,263)	(5,534)
Profit before tax		4,099	4,899
Tax expense:	6		
- Current period		(662)	(705)
- Prior period		(2,843)	-
Net profit for the period		594	4,194
Earnings per share			
Basic earnings per share (Baizas)	18	0.88	6.21

The notes on pages 6 to 12 form an integral part of these condensed interim financial statements.

AL BATINAH POWER COMPANY SAOG**Unaudited condensed statement of profit or loss and other comprehensive income***for the six month period ended 30 June*

	2017 RO'000	2016 RO'000
Net profit for the period	594	4,194
Other comprehensive income / (loss) for the period, net of tax:		
<i>Item that will be reclassified to profit or loss</i>		
Cash flow hedges - effective portion of changes in fair value	<u>1,274</u>	(5,508)
Total comprehensive income / (loss) for the period	<u><u>1,868</u></u>	(1,314)

The notes on pages 6 to 12 form an integral part of these condensed interim financial statements.


AL BATINAH POWER COMPANY SAOG

Unaudited condensed statement of financial position

as at

	Notes	30 June 2017 RO'000s	Audited 31 December 2016 RO'000s
Assets			
Non-current assets			
Property, plant and equipment	7	265,099	268,743
Capital spares		302	287
Total non-current assets		265,401	269,030
Current assets			
Trade and other receivables	8	9,726	5,127
Inventory		1,700	1,793
Short term deposit	9	-	2,192
Cash and cash equivalents	10	9,119	3,939
Total current assets		20,545	13,051
Total assets		285,946	282,081
Equity and liabilities			
Equity			
Share capital	11(a)	67,489	67,489
Legal reserve	11(b)	3,130	3,130
Retained earnings		9,031	10,313
Shareholders' fund		79,650	80,932
Hedging reserve	11(c)	(8,324)	(9,598)
Total equity		71,326	71,334
Liabilities			
Non-current liabilities			
Term loans	12	163,730	164,301
Derivative instruments		9,792	10,907
End of service benefits		24	22
Asset retirement obligation		573	549
Deferred tax liability		13,430	10,085
Total non-current liabilities		187,549	185,864
Current liabilities			
Term loans	12	13,667	13,785
Trade and other payables	13	9,654	7,498
Short term borrowing		3,750	3,600
Total current liabilities		27,071	24,883
Total liabilities		214,620	210,747
Total equity and liabilities		285,946	282,081
Net assets per share (Baizas)	17	118.02	119.92

The financial statements were approved and authorised for issue in accordance with a resolution of the Board of Directors on 26 July 2017


Chairperson


Director

The notes on pages 6 to 12 form an integral part of these condensed interim financial statements.

AL BATINAH POWER COMPANY SAOG**Unaudited condensed statement of cash flows***for the six month period ended 30 June*

	<i>Notes</i>	2017	2016
		RO'000s	RO'000s
Cash flows from operating activities:			
Net profit for the period		594	4,194
<i>Adjustments for:</i>			
Tax expense		3,505	705
Finance costs (net)		5,263	5,534
Depreciation		3,735	3,730
End of service benefits		2	5
		13,099	14,168
<i>Changes in:</i>			
Trade and other receivables		(4,599)	(6,022)
Inventory		93	40
Trade and other payables		2,036	2,093
Cash generated from operating activities		10,629	10,279
Finance costs paid		(4,523)	(4,850)
Net cash generated from operating activities		6,106	5,429
Cash flows from investing activities:			
Acquisition of property, plant and equipment		(91)	(12)
Acquisition of capital spares		(15)	-
Net cash (used in) investing activities		(106)	(12)
Cash flows from financing activities:			
Repayment of term loans		(1,286)	(1,464)
Proceeds from/repayment of short term borrowing		150	(1,070)
Maturity of short term deposit		2,192	2,696
Dividend paid		(1,876)	(1,977)
Net cash (used in) financing activities		(820)	(1,815)
Net increase in cash and cash equivalents		5,180	3,602
Cash and cash equivalents at beginning of the period	<i>10</i>	3,939	370
Cash and cash equivalents at end of the period	<i>10</i>	9,119	3,972

The notes on pages 6 to 12 form an integral part of these condensed interim financial statements.

AL BATINAH POWER COMPANY SAOG

Unaudited condensed statement of changes in equity

for the six month period ended 30 June

	Share capital RO'000s	Legal reserve RO'000s	Retained earnings RO'000s	Hedging reserve RO'000s	Total RO'000s
Balance at 1 January 2017	67,489	3,130	10,313	(9,598)	71,334
<i>Total comprehensive income for the period</i>					
Net profit for the period	-	-	594	-	594
<i>Other comprehensive income for the period, net of income tax</i>					
Cash flow hedge - effective portion of changes in fair value	-	-	-	1,274	1,274
<i>Total comprehensive income for the period</i>	-	-	594	1,274	1,868
<i>Transactions with owners of the Company</i>					
<i>Contribution and distribution</i>					
Dividend	-	-	(1,876)	-	(1,876)
<i>Total transactions with owners of the Company</i>	-	-	(1,876)	-	(1,876)
Balance at 30 June 2017	67,489	3,130	9,031	(8,324)	71,326
Balance at 1 January 2016	67,489	2,301	8,639	(12,271)	66,158
<i>Total comprehensive (loss) for the period</i>					
Net profit for the period	-	-	4,194	-	4,194
<i>Other comprehensive (loss) for the period, net of income tax</i>					
Cash flow hedge - effective portion of changes in fair value	-	-	-	(5,508)	(5,508)
<i>Total comprehensive (loss) for the period</i>	-	-	4,194	(5,508)	(1,314)
<i>Transactions with owners of the Company</i>					
<i>Contribution and distribution</i>					
Dividend	-	-	(1,977)	-	(1,977)
<i>Total transactions with owners of the Company</i>	-	-	(1,977)	-	(1,977)
Balance at 30 June 2016	67,489	2,301	10,856	(17,779)	62,867

The notes on pages 6 to 12 form an integral part of these condensed interim financial statements.

AL BATINAH POWER COMPANY SAOG

Notes to the unaudited condensed interim financial statements

1. Legal status and principal activities

Al Batinah Power Company (“Company”) was registered as a closed Omani Joint Stock Company (“SAOC”) on 2 August 2010 under the Commercial Companies Law of Oman. Subsequently the Company was converted to a public Joint Stock Company (“SAOG”) and was listed on the Muscat Securities Market on 23 June 2014.

The Company’s objectives are to develop, finance, design, construct, operate, maintain, insure and own a power generating facility (the Sohar 2 Power Plant with a capacity of about 750MW), associated gas interconnection facilities and other relevant infrastructure; to make available the demonstrated power capacity; and to sell the electrical energy generated to Oman Power and Water Procurement Company SAOC (“OPWP”). Accordingly, the Plant is considered and managed as one reportable segment. Commercial Operation of the Plant was achieved by the Company on 3 April 2013.

2. Basis of preparation and significant accounting policies

Basis of preparation

(a) *Statement of compliance*

These condensed interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, applicable requirements of the Oman Commercial Companies Law of 1974 (as amended) (“CCL”) and disclosure requirements of the Capital Market Authority of the Sultanate of Oman (“CMA”). Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the last annual financial statements as at and for the year ended 31 December 2016. The condensed interim financial statements do not include all information required for full annual financial statements prepared in accordance with International Financial Reporting Standards (IFRSs).

(b) *Basis of measurement*

These condensed interim financial statements are prepared on historical cost basis except for provision for asset retirement obligation and deferred finance costs which are measured at amortised cost and certain financial instruments which are measured at fair value.

(c) *Use of estimates and judgements*

The preparation of the financial statements in conformity with IFRSs requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in these condensed interim financial statements are same as those that were applied to the financial statements as at and for the year ended 31 December 2016.

(d) *Presentation currency*

These condensed interim financial statements have been presented in Rial Omani which is the presentation currency, and all values are rounded to the nearest thousand (RO’000) except where otherwise stated.

Significant accounting policies

The significant accounting policies applied by the Company in these condensed interim financial statements are consistent with those applied by the Company in its financial statements as at and for the year ended 31 December 2016.

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Notes to the unaudited condensed interim financial statements

	30 June 2017 RO '000s	30 June 2016 RO '000s
3. Direct costs		
Fuel gas	17,964	15,403
Depreciation (note 7)	3,726	3,720
Operation and maintenance ("O&M") fees	3,436	3,382
Seawater extraction	492	464
Other O&M cost	419	29
Insurance	253	266
Custom duty	222	16
Grid connection fee	96	97
Fuel oil	93	40
Plant site rent	82	80
Other direct costs	46	48
	26,829	23,545
4. General and administrative expenses		
Secondment fees	122	123
Employment costs	90	84
Public company related costs	47	48
Agency fees	25	25
Office rent	13	11
Corporate social responsibility	13	8
Directors' sitting fee (note 14)	10	10
Depreciation (note 7)	9	10
Other general and administrative expenses	53	66
	382	385
5. Finance costs (net)		
Interest on term loans	3,089	2,838
Interest rate swap	1,443	1,940
Amortisation of deferred finance costs	596	641
Debt Service Reserve Account ("DSRA") LC cost	73	75
Interest on working capital	37	15
Asset retirement obligation - unwinding of discount	24	22
Exchange loss	10	9
Interest income	(9)	(6)
	5,263	5,534

AL BATINAH POWER COMPANY SAOG

Notes to the unaudited condensed interim financial statements

6. Tax expense

The Royal Decree 9/2017 was issued on 19 February 2017 and published in the official gazette on 26 February 2017 amending certain provisions of the Income Tax Law 28/2009, including increase in corporate income tax rate from 12% to 15%. The effect of increase in tax rate has been recognized in these financial statements.

7. Property, plant and equipment

	Property, plant and equipment RO'000s	Decommi ssioning asset RO'000s	Technical spares RO'000s	Others assets RO'000s	Total RO'000s
Cost					
1 January 2017	296,311	399	1,665	122	298,497
Additions during the period	42	-	45	4	91
30 June 2017	296,353	399	1,710	126	298,588
Depreciation					
1 January 2017	29,412	38	200	104	29,754
Charge during the period	3,681	5	40	9	3,735
30 June 2017	33,093	43	240	113	33,489
Carrying amount					
30 June 2017	263,260	356	1,470	13	265,099
31 December 2016	266,899	361	1,465	18	268,743

8. Trade and other receivables

	Audited 30 June 2017 RO '000s	31 December 2016 RO '000s
Trade receivables	9,498	4,606
Prepayments	58	241
Due from related parties (note 14)	7	65
Other receivables	163	215
	9,726	5,127

9. Short term deposit

As per the CTA, the Company is required to maintain a debt service provisioning account ("DSPA") to ensure funds are available to service the loan instalments and interest on due date. At each repayment date at the end of October, the Company is required to put the scheduled amount towards the next six monthly payment. The amount lying in the DSPA cannot be utilised for any purpose other than servicing the loan instalments and interest and is as such restricted cash. The amount in the DSPA as at 31 December 2016 was invested as a short term deposit which matured on 25 April 2017.

AL BATINAH POWER COMPANY SAOG

Notes to the unaudited condensed interim financial statements

10. Cash and cash equivalents

	30 June 2017 RO '000s	Audited 31 December 2016 RO '000s
Cash in hand and at bank	9,119	3,939

11. Equity

(a) Share capital

The details of shareholders are as follows:

30 June 2017	Nationality	No. of shares held of nominal value 100 Bzs. each	% of total	Aggregate nominal value of shares held RO'000s
Kahrabel FZE	UAE	201,791,343	29.90%	20,179
Multitech LLC	Omani	96,508,899	14.30%	9,651
Civil Service Employees Pension Fund	Omani	87,218,269	12.92%	8,722
SEP International Netherlands B.V.	Netherlands	48,254,453	7.15%	4,825
Blue Horizon Sohar Power B.V.	Netherlands	48,254,453	7.15%	4,825
Public Authority for Social Insurance	Omani	44,575,563	6.60%	4,458
Ministry of Defence Pension Fund	Omani	41,047,407	6.08%	4,105
Shareholders with less than 5% shareholding		107,237,043	15.90%	10,724
		674,887,430	100.00%	67,489

31 December 2016

Kahrabel FZE	UAE	201,791,343	29.90%	20,179
Multitech LLC	Omani	96,508,899	14.30%	9,651
Civil Service Employees Pension Fund	Omani	83,155,460	12.32%	8,316
SEP International Netherlands B.V.	Netherlands	48,254,453	7.15%	4,825
Blue Horizon Sohar Power B.V.	Netherlands	48,254,453	7.15%	4,825
Public Authority for Social Insurance	Omani	44,078,681	6.53%	4,408
Ministry of Defence Pension Fund	Omani	40,200,737	5.96%	4,020
Shareholders with less than 5% shareholding		112,643,404	16.69%	11,265
		674,887,430	100.00%	67,489

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 general 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.

AL BATINAH POWER COMPANY SAOG

Notes to the unaudited condensed interim financial statements

	30 June 2017 RO'000s	Audited 31 December 2016 RO'000s
12. Term loans		
Term loans	184,085	185,370
<i>Less: current portion</i>	(13,667)	(13,785)
Non-current portion	170,418	171,585
<i>Less: Unamortised transaction cost</i>	(6,688)	(7,284)
	163,730	164,301

On 16 September 2010, the Company entered into a Common Terms Agreement (“CTA”), for credit facilities with a consortium of international banks, export credit agencies and a local bank, with Credit Agricole Corporate & Investment Bank as the Global Facility Agent, Offshore Security Trustee, Offshore Account Bank, KEXIM Facility Agent and Commercial Facility Agent; with Bank Muscat SAOG as Onshore Security Agent and Onshore Account Bank; and with KfW IPEX - Bank GmbH as the Hermes Facility Agent.

At 30 June 2017 and 31 December 2016 the outstanding amounts were as follows:

Hermes Covered Variable Facility	53,933	54,330
Commercail Facility	46,520	46,792
Hermes Covered Fixed Facility	34,425	34,679
KEXIM Direct Facility	33,517	33,764
KEXIM Covered Facility	15,690	15,805
	184,085	185,370

13. Trade and other payables

Fuel gas payable and accrual	6,564	4,588
Accrued finance costs	1,662	1,590
Due to related parties (note 14)	812	717
Other payable and accruals	615	603
	9,654	7,498

14. Related party transactions

Related parties comprise the shareholders, directors, key management personnel and business entities that have the ability to control or exercise significant influence over financial and operating decisions of the Company and entities over which certain shareholders are able to exercise significant influence. Prices and terms of these transactions, which are entered into in the normal course of business, are on mutually agreed terms and conditions.

Key management personnel are those having authority for planning, directing and controlling the activities of the Company, directly or indirectly. Total compensation paid to the top five employees including key management personnel for the six month period ended are as follows:

	30 June 2017 RO '000s	30 June 2016 RO '000s
Top five employees	190	195

AL BATINAH POWER COMPANY SAOG

Notes to the unaudited condensed interim financial statements

14 Related party transactions (continued)

The Company had the following transactions with related parties during the six month period ended:

	30 June 2017 RO '000s	30 June 2016 RO '000s
Suez-Tractebel Operation & Maintenance Oman LLC	4,064	3,426
Al Suwadi Power Company SAOG	115	87
Kahrabel Operation & Maintenance (Oman) LLC	67	68
Shikoku Electric Power Co., Inc.	63	64
Kahrabel FZE	62	-
ENGIE S.A.	34	-
Multitech LLC	16	16
International Power SA Dubai Branch	15	22
Directors	10	10
Sojitz Corporation	8	8
Public Authority for Social Insurance	7	8
Laborelec Middle East	3	-
Electrabel S.A.	-	35
	4,464	3,744

The nature of the above transactions is as follows:

O&M fixed fee	2,582	2,617
O&M variable fee	854	765
Other O&M cost	406	29
Custom duty	222	16
Secondment fees	122	123
Sharing of costs	115	87
DSRA LC cost	73	75
Spares	56	-
Professional fees	18	22
Directors' sitting fees (note 4)	10	10
Others	6	-
	4,464	3,744

30 June 2017 RO '000s	Audited 31 December 2016 RO '000s
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Balances due from related parties at 30 June 2017 and 31 December 2016 comprised:

Al Suwadi Power Company SAOG	7	65
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Balances due to related parties at 30 June 2017 and 31 December 2016 comprised:

Suez-Tractebel Operation & Maintenance Oman LLC	679	652
ENGIE S.A.	40	-
Shikoku Electric Power Co., Inc.	28	11
Directors	16	17
International Power SA Dubai Branch	14	-
Kahrabel Operation & Maintenance (Oman) LLC	11	11
Multitech LLC	10	3
Sojitz Corporation	10	1
Public Authority for Social Insurance	4	15
Electrabel S.A.	-	7
	812	717

AL BATINAH POWER COMPANY SAOG

Notes to the unaudited condensed interim financial statements

15. Financial risk management

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 31 December 2016.

16. Commitments

- a) Operation and maintenance commitments and plant site rent commitments are consistent, with those disclosed in the financial statements as at and for the year ended 31 December 2016 as reduced by amounts accounted for during the six month period ended 30 June 2017.
- b) The Company has placed purchase orders for RO 49,756 (mainly relating to spare parts) which are outstanding as at 30 June 2017 (RO 94,898 as at 31 December 2016).

17. 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 June 2017	Audited 31 December 2016
Net assets - shareholder funds (RO'000s)	79,650	80,932
Weighted average number of shares outstanding during the period ('000s)	674,887	674,887
Net assets per share (Baizas)	118.02	119.92

The management believes that the hedging deficit of RO 8.32 million as at 30 June 2017 (RO 9.60 million as at 31 December 2016) represents the loss which the Company would incur, if it opts to terminate its swap agreements on this date. However, under the terms of its Financing Documents, the Company is not permitted to terminate the swap agreements. Accordingly, the hedging deficit has been excluded from the Shareholder Funds.

18. Basic earnings per share

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

	30 June 2017	30 June 2016
Net profit for the period (RO'000s)	594	4,194
Weighted average number of shares outstanding during the period ('000s)	674,887	674,887
Basic earnings per share (Baizas)	0.88	6.21

19. Comparative figures

Certain comparative figures have been reclassified where necessary to conform to the presentation adopted in these condensed interim financial statements.