

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 9-months period ended 30 September 2018.

Operational Highlights

The plant's operation was excellent during the summer months achieving reliability of 99.76% and delivered 3,579 GWh to MIS network. The plant load for the period was 74.13% against 76.28% in corresponding period of 2017. Also the Company maintained its excellent record of zero lost time accidents and zero environmental incidents, thereby clocking 2,643 lost time accident free days at site since inception, which is reflective of our continued focus on health, safety and environment ("HSE").

Financial Results

	9-month-2018 RO'000s Unaudited	9-month-2017 RO'000s Unaudited	Percentage change
Revenues	60,956	61,222	-0.4%
Direct costs	(40,376)	(41,282)	
Gross profit	20,580	19,940	3.2%
General and administrative expenses	(535)	(559)	
Profit before interest and tax	20,045	19,381	3.4%
Finance costs (net)	(7,506)	(7,987)	
Profit before tax	12,539	11,394	10.1%
Tax	(1,157)	(3,836)	
Net profit for the period	11,382	7,558	50.6%

Lower revenue as compared to the previous year is attributed mainly to lower plant load factor. Low load factor leads to less consumption of the fuel gas which is the reason for the reduction in direct costs as compared to the last year. Less Gas turbine maintenance expenses during the period as compared to previous year contributes to better operating profit.

Controlled general and administrative expenses and the steady reduction in finance costs positively contributed to the better profit before tax.

The impact on the deferred tax, due the income tax rate increase from 12% to 15% pursuant to the Royal Decree 9/2017 which was issued on 19 February 2017, considered in the previous year's accounts. Because of that the net profit is more than 50% higher than similar period in the previous year.

Pursuant to the Power Purchase Agreement (PPA) clauses, Oman Power and Water procurement Company (OPWP) agrees to compensate the company, on a monthly basis, for any impact on the company's cost or company's revenue that is caused or will be caused by the amendment of the tax

law. We are still awaiting Executive Regulation to be promulgated by the Tax Department that is expected to clarify the amendment made to other clauses of the Tax Laws.

The Company distributed a cash dividend of 2.80% (Baizas 2.80 per share) in June 2018.

The share price was 116 Baizas at the end of September 2018.

Corporate Social Responsibility

The company has entered into sponsorship agreement with three other power companies for installation of 80KWp PV system project on the roof of one of school in Barka area. The project has been completed and the inauguration is expected in Q4 2018. The company is supporting dermatology clinic in Liwa health center with specialized equipment that should help the people in the area and allow them to get the high level treatment locally.

Medium term Outlook

There is no major inspection planned during this winter period (October 2018 – March 2019), however there will be a minor inspection of GT12 and HRSG12 in November 2018. Lessons learnt from the previous inspections are being considered and management will endeavor to achieve smooth and timely completion of this inspection. The inspections of other main equipments are planned in Q1 2019.

The Company is actively and continually participating in the Implementation Working Group committee meetings to review the market rules of the proposed Oman Electricity Spot Market which is planned to go live by the end of 2020. The company shares its implementation plan with and as requested by the authorities and also responded to the proposed generation license modification regarding the spot market. However, there will be no impact on the company revenue and all invoices will be settled as per the existing Power Purchase Agreement (PPA) until 2028. Beyond that date, this Market constitutes one of the options the company may participate in.

All reasonable measures are taken by the management to maintain the high availability levels in 2018. Any change in the power supply and demand landscape in the Sultanate has substantially no impact on the financial performance of the Company since its net profit is mainly derived from its plant availability.

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.



Saif Abdullah Al Harthy
Chairperson of the Board

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

	<i>Notes</i>	2018 RO'000s	2017 RO'000s
Revenues		60,956	61,222
Direct costs	3	(40,376)	(41,282)
Gross profit		20,580	19,940
General and administrative expenses	4	(535)	(559)
Profit before interest and tax		20,045	19,381
Finance costs (net)	5	(7,506)	(7,987)
Profit before tax		12,539	11,394
Tax expense	6	(1,157)	(3,836)
Net profit for the period		11,382	7,558
Earnings per share			
Basic earnings per share (Baizas)	18	16.87	11.20

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 nine month period ended 30 September*

	2018	2017
	RO'000s	RO'000s
Net profit for the period	11,382	7,558
Other comprehensive income 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	4,126	2,308
Total comprehensive income for the period	15,508	9,866

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

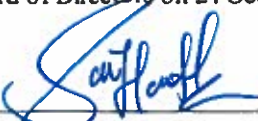
AL BATINAH POWER COMPANY SAOG

Unaudited condensed statement of financial position

as at

	Notes	30 September 2018 RO'000s	Audited 31 December 2017 RO'000s
Assets			
Non-current assets			
Property, plant and equipment	7	255,449	261,025
Capital spares		293	293
Total non-current assets		255,742	261,318
Current assets			
Trade and other receivables	8	8,659	4,776
Inventory		1,861	1,769
Short term deposit	9	-	2,001
Cash and cash equivalents	10	13,290	2,991
Total current assets		23,810	11,537
Total assets		279,552	272,855
Equity and liabilities			
Equity			
Share capital	11(a)	67,489	67,489
Legal reserve	11(b)	3,586	3,586
Retained earnings		18,985	9,493
Shareholders' fund		90,060	80,568
Hedging reserve	11(c)	(967)	(5,093)
Total equity		89,093	75,475
Liabilities			
Non-current liabilities			
Term loans	12	150,853	151,294
Derivative instruments		1,137	5,991
End of service benefits		33	28
Asset retirement obligation		251	238
Deferred tax liability		16,850	14,966
Total non-current liabilities		169,124	172,517
Current liabilities			
Term loans	12	14,282	14,178
Trade and other payables	13	7,053	5,841
Short term borrowing		-	4,844
Total current liabilities		21,335	24,863
Total liabilities		190,459	197,380
Total equity and liabilities		279,552	272,855
Net assets per share (Baizas)	17	133.44	119.38

The financial statements were approved and authorised for issue in accordance with a resolution of the Board of Directors on 24 October 2018.


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 nine month period ended 30 September

	<i>Notes</i>	2018	2017
		RO'000s	RO'000s
Cash flows from operating activities:			
Net profit for the period		11,382	7,558
<i>Adjustments for:</i>			
Tax expense		1,157	3,836
Finance costs (net)		7,506	7,987
Depreciation		5,578	5,599
End of service benefits		5	3
		25,628	24,983
<i>Changes in:</i>			
Trade and other receivables		(3,883)	(2,278)
Inventory		(92)	101
Trade and other payables		852	2,490
Cash generated from operating activities		22,505	25,296
Finance costs paid (net)		(6,338)	(6,657)
Net cash generated from operating activities		16,167	18,639
Cash flows from investing activities:			
Acquisition of property, plant and equipment		(2)	(94)
Acquisition of capital spares		-	(15)
Net cash (used in) investing activities		(2)	(109)
Cash flows from financing activities:			
Repayment of term loans		(1,166)	(1,285)
Repayment of short term borrowing - net		(4,844)	(3,600)
Maturity of short term deposit		2,001	2,192
Dividend paid		(1,890)	(1,876)
Interest received		33	27
Net cash (used in) financing activities		(5,866)	(4,542)
Net increase in cash and cash equivalents		10,299	13,988
Cash and cash equivalents at beginning of the period	<i>10</i>	2,991	3,939
Cash and cash equivalents at end of the period	<i>10</i>	13,290	17,927

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 nine month period ended 30 September

	Share capital RO'000s	Legal reserve RO'000s	Retained earnings RO'000s	Hedging reserve RO'000s	Total RO'000s
Balance at 1 January 2018	67,489	3,586	9,493	(5,093)	75,475
<i>Total comprehensive income for the period</i>					
Net profit for the period	-	-	11,382	-	11,382
<i>Other comprehensive income for the period, net of income tax</i>					
Cash flow hedge - effective portion of changes in fair value	-	-	-	4,126	4,126
<i>Total comprehensive income for the period</i>	-	-	11,382	4,126	15,508
<i>Transactions with owners of the company</i>					
<i>Contribution and distribution</i>					
Dividend	-	-	(1,890)	-	(1,890)
<i>Total transactions with owners of the company</i>	-	-	(1,890)	-	(1,890)
Balance at 30 September 2018	67,489	3,586	18,985	(967)	89,093
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	-	-	7,558	-	7,558
<i>Other comprehensive income for the period, net of income tax</i>					
Cash flow hedge - effective portion of changes in fair value	-	-	-	2,308	2,308
<i>Total comprehensive income for the period</i>	-	-	7,558	2,308	9,866
<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 September 2017	67,489	3,130	15,995	(7,290)	79,324

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 2017. 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 2017.

(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.

Changes in 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 2017. From 1 January 2018, the Company has adopted IFRS 15 ‘Revenue from Contracts with Customers’ and IFRS 9 ‘Financial Instruments’ and concluded that there is no material impact on these financial statement.

AL BATINAH POWER COMPANY SAOG

Notes to the unaudited condensed interim financial statements

	30 September 2018 RO '000s	30 September 2017 RO '000s
3. Direct costs		
Fuel gas	27,839	28,233
Depreciation (note 7)	5,573	5,586
Operation and maintenance ("O&M") fees (note 14)	5,232	5,245
Seawater extraction	751	737
Insurance	383	383
Grid connection fee	139	137
Plant site rent	128	123
Fuel oil	117	100
Other O&M expenses (note 14)	74	429
Custom duty (note 14)	66	226
Other direct costs	74	83
	40,376	41,282
4. General and administrative expenses		
Secondment fees (note 14)	177	183
Employment costs	116	111
Public company related costs	67	66
Agency fees	42	38
Office rent	15	18
Directors' sitting fee (note 14)	14	15
Depreciation (note 7)	5	13
Corporate social responsibility	-	13
Other general and administrative expenses	99	102
	535	559
5. Finance costs (net)		
Interest on term loans	5,513	4,782
Swap interest	960	2,094
Amortisation of deferred finance costs	829	894
Debt Service Reserve Account ("DSRA") LC cost (note 14)	139	139
Interest on working capital	56	37
Exchange loss	29	31
Asset retirement obligation - unwinding of discount	13	37
Interest income	(33)	(27)
	7,506	7,987

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%. Accordingly, the effect of increase in tax rate on prior years has been recognized in the comparative financial statements.

7. Property, plant and equipment

	Property, plant and equipment RO'000s	Technical spares RO'000s	Others assets RO'000s	Total RO'000s
Cost				
1 January 2018	296,353	1,710	127	298,190
Additions during the period	0	-	2	2
Disposal during the period	-	-	(1)	(1)
30 September 2018	296,353	1,710	128	298,191
Depreciation				
1 January 2018	36,774	274	117	37,165
Charge during the period	5,522	51	5	5,578
Disposal during the period	-	-	(1)	(1)
30 September 2018	42,296	325	121	42,742
Carrying amount				
30 September 2018	254,057	1,385	7	255,449
31 December 2017	259,579	1,436	10	261,025

8. Trade and other receivables

	30 September 2018 RO '000s	Audited 31 December 2017 RO '000s
Trade receivables	7,986	3,654
Prepayments	392	270
Due from a related party (note 14)	9	-
Other receivables and accrued income	272	852
	8,659	4,776

9. Short term deposit

As per the Common Terms Agreement (“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 2017 was invested as a short term deposit which matured on 27 April 2018.

AL BATINAH POWER COMPANY SAOG

Notes to the unaudited condensed interim financial statements

10. Cash and cash equivalents

	30 September 2018 RO '000s	Audited 31 December 2017 RO '000s
Short term deposits (less than 3 months)	8,267	-
Cash in hand and at bank	5,023	2,991
	13,290	2,991

11. Equity

(a) Share capital

The details of shareholders are as follows:

30 September 2018	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
Middle East Investment LLC	Omani	96,508,899	14.30%	9,651
Civil Service Employees Pension Fund	Omani	87,922,172	13.03%	8,792
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	45,152,563	6.69%	4,515
Ministry of Defence Pension Fund	Omani	40,840,737	6.05%	4,084
Shareholders with less than 5% shareholding		106,162,810	15.73%	10,618
		674,887,430	100.00%	67,489

31 December 2017				
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	87,922,172	13.03%	8,792
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	45,152,563	6.69%	4,515
Ministry of Defence Pension Fund	Omani	41,287,407	6.12%	4,129
Shareholders with less than 5% shareholding		105,716,140	15.66%	10,573
		674,887,430	100.00%	67,489

The Company has authorized, issued and paid-up share capital of RO 67,488,743 consisting of 674,887,430 shares of RO 0.100 each (31 December 2017: RO 67,488,743 consisting of 674,887,430 shares of RO 0.100 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 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 September 2018 RO'000s	Audited 31 December 2017 RO'000s
12. Term loans		
Term loans	170,419	171,585
<i>Less:</i> current portion	(14,282)	(14,178)
Non-current portion	156,137	157,407
<i>Less:</i> Unamortised transaction cost	(5,284)	(6,113)
	150,853	151,294

On 16 September 2010, the Company entered into a 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 the Onshore Security Agent and Onshore Account Bank; and with KfW IPEX - Bank GmbH as the Hermes Facility Agent.

At 30 September 2018 and 31 December 2017 the outstanding amounts were as follows:

Hermes Covered Variable Facility	48,786	49,111
Commercial Facility	45,981	46,318
Hermes Covered Fixed Facility	31,140	31,348
KEXIM Direct Facility	30,319	30,521
KEXIM Covered Facility	14,193	14,287
	170,419	171,585

13. Trade and other payables		
Fuel gas payable and accrual	3,810	3,083
Accrued interest cost	1,745	1,504
Due to related parties (note 14)	813	523
Other payable and accruals	685	731
	7,053	5,841

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, including any director (whether executive or otherwise).

Total compensation paid to the top five employees including key management personnel for the nine month period ended are as follows:

	30 September 2018 RO '000s	30 September 2017 RO '000s
Key Management benefits	274	285

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 nine month period ended:

	30 September 2018 RO '000s	30 September 2017 RO '000s
Suez-Tractebel Operation & Maintenance Oman LLC	5,377	5,913
Al Suwadi Power Company SAOG	160	185
Kahrabel Operation & Maintenance (Oman) LLC	97	100
Sojitz Corporation	87	15
ENGIE SA	64	64
International Power SA Dubai Branch	28	26
Middle East Investment LLC	26	-
Shikoku Electric Power Co., Inc.	24	98
Directors	14	15
Public Authority for Social Insurance	14	14
Multitech LLC	4	31
Laborelec Middle East	1	3
Tractebel Engineering S.A.	-	5
Kahrabel FZE	-	62
	5,896	6,531

The nature of the above transactions is as follows:

O&M fixed fee (note 3)	3,807	3,790
O&M variable fee (note 3)	1,425	1,455
Secondment fees (note 4)	177	183
Sharing of costs	160	202
DSRA LC cost (note 5)	139	139
Other O&M cost (note 3)	74	429
Custom duty (note 3)	66	226
Professional fees	29	34
Directors' sitting fees (note 4)	14	15
Spares	-	56
Others	5	2
	5,896	6,531

30 September 2018 RO '000s	Audited 31 December 2017 RO '000s
---	--

Balances due from a related party comprised

Al Suwadi Power Company SAOG	9	-
------------------------------	----------	---

Balances due to related parties at 30 September 2018 and 31 December 2017 comprised:

Suez-Tractebel Operation & Maintenance Oman LLC	665	433
ENGIE SA	62	6
Middle East Investment LLC	26	-
Sojitz Corporation	21	2
Directors'	14	17
Kahrabel Operation & Maintenance (Oman) LLC	11	11
International Power SA Dubai Branch	5	6
Shikoku Electric Power Co., Inc.	5	11
Public Authority for Social Insurance	4	1
Al Suwadi Power Company SAOG	-	33
Multitech LLC	-	3
	813	523

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 2017.

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 2017 as reduced by amounts accounted for during the nine month period ended 30 September 2018.
- b) The Company has placed purchase orders for RO 253,129 which are outstanding as at 30 September 2018 (RO 165,977 as at 31 December 2017).

17. Net asset per share

Net asset 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/year.

	30 September 2018	Audited 31 December 2017
Net assets - shareholder funds (RO'000s)	90,060	80,568
Weighted average number of shares outstanding during the period/year ('000s)	674,887	674,887
Net assets per share (Baizas)	133.44	119.38

The management believes that the hedging deficit of RO 0.97 million as at 30 September 2018 (RO 5.09 million as at 31 December 2017) 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 September 2018	30 September 2017
Net profit for the period (RO'000s)	11,382	7,558
Weighted average number of shares outstanding during the period ('000s)	674,887	674,887
Basic earnings per share (Baizas)	16.87	11.20

19. Comparative figures

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