

Al Batinah Power Company SAOG

Board of Directors' Report for the six-month period ended 30 June 2015

Dear Shareholders,

On behalf of the Board of Directors of Al Batinah Power Company SAOG ("Company"), I have the pleasure to present the Directors' Report together with the unaudited financial statements of the Company for the six-month period ended 30 June 2015

Corporate governance

Since the conversion to listed company status in June 2014, the Company continues to put significant time and efforts to review corporate structures, policies and processes in order to ensure the highest standards of corporate governance in compliance with local regulatory requirements as well as with international principles and best practice.

Health, safety and environmental ("HSE")

The health and safety performance was excellent, with no lost time injuries ("LTI"). The Operations and Maintenance Contractor completed 1,455 days of plant operation without LTI's at the end of June 2015. All health, safety and environmental processes were carefully audited by a third party in the frame of an OHSAS 18001 and ISO 14001 certification and no major non-compliances could be detected. The certificates were issued in February 2015 and a follow up audit was conducted in June 2015.

Operations

During the six-month period of 2015, the Company achieved an excellent operational performance, with the Plant demonstrating a high level of reliability, the key parameter to monitor performance of the plant. The power plant dispatched an aggregated net power volume of nearly 1,895 GWh (compared to 1,640 GWh for the corresponding period of last year). The plant reliability* for the period was 99.8% (identical to the same period of 2014), showing only 0.2% of forced outages. During the annual performance test in April 2015, the Plant demonstrated a slightly higher power capacity compared to Guaranteed Contracted Power Capacity.

** The plant reliability above is reported based on recognition of the buyer, Oman Power and Water Procurement Company SAOC, whereas as per the Company's recognition it is 99.9% during the period and the same period of 2014.*

Financial results

Revenues of RO 32.49 million and direct costs of RO 21.74 million for the six-month period were higher by RO 7.29 million and RO 7.27 million respectively compared to corresponding period of 2014 mainly due to increase in gas price by the Ministry of Oil and Gas under the Natural Gas Supply Agreement effective 1 January 2015 and consequent application of the same on a back to back basis in Company's monthly invoices to OPWP under PPA. The finance costs were lower compared to the corresponding period of 2014 as a result of reduction in outstanding debt due to scheduled debt repayments.

As a result, the Company posted a net profit of RO 3.29 million for the period. In comparison, net profit was RO 1.29 million for the same period of 2014.

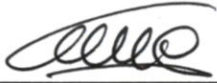
The Company distributed a cash dividend of 3.63% per share (Baizas 3.63 per share) in June 2015.

The share price was 198 Baizas at the end of June 2015.

Future Outlook

Plant reliability is expected to remain high throughout 2015.

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.



Catherine Chouteau
Chairperson

AL BATINAH POWER COMPANY SAOG

Unaudited condensed income statement

for the six month period ended 30 June

	<i>Notes</i>	2015 RO	2014 RO
Revenues		32,487,161	25,195,230
Direct costs	<i>10</i>	<u>(21,736,407)</u>	<u>(14,469,413)</u>
Gross profit		10,750,754	10,725,817
General and administrative expenses	<i>11</i>	<u>(404,415)</u>	<u>(699,546)</u>
Profit before interest and tax		10,346,339	10,026,271
Finance costs (net)	<i>12</i>	<u>(5,834,773)</u>	<u>(6,159,077)</u>
Profit before tax		4,511,566	3,867,194
Tax expense		<u>(1,220,594)</u>	<u>(1,866,603)</u>
Net profit		3,290,972	2,000,591
Earnings per share			
Basic earnings per share (Baizas)	<i>15</i>	4.88	2.96

The notes on pages 6 to 15 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

	2015	2014
	RO	RO
Net profit	3,290,972	2,000,591
Other comprehensive (loss), net of income tax:		
<i>Item that will be reclassified to profit and loss</i>		
Cash flow hedges-effective portion of changes in fair value	<u>(365,739)</u>	<u>(3,944,529)</u>
Total comprehensive income (loss) for the period	<u>2,925,233</u>	<u>(1,943,938)</u>

The notes on pages 6 to 15 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 2015 RO	Audited 31 December 2014 RO
Assets			
Non-current assets			
Property, plant and equipment	3	279,837,161	283,550,247
Deferred tax asset		1,965,786	1,620,327
Total non-current assets		281,802,947	285,170,574
Current assets			
Trade and other receivables	5	9,345,428	2,544,811
Inventories		1,795,174	1,824,259
Short term deposit	6	-	3,076,000
Cash and cash equivalents	7	3,927,930	561,558
Total current assets		15,068,532	8,006,628
Total assets		296,871,479	293,177,202
Equity and liabilities			
Equity			
Share capital	8(a)	67,488,743	67,488,743
Legal reserve	8(b)	1,592,488	1,592,488
Retained earnings		9,063,934	8,222,803
Shareholders' fund		78,145,165	77,304,034
Hedging reserve	8(c)	(10,908,933)	(10,543,194)
Total equity		67,236,232	66,760,840
Liabilities			
Non-current liabilities			
Term loans	4	188,368,471	189,149,897
Derivative instruments		12,396,516	11,980,902
End of service benefits		12,418	10,369
Asset retirement obligation		483,066	463,030
Deferred tax liability		9,294,608	7,778,430
Total non-current liabilities		210,555,079	209,382,628
Current liabilities			
Term loans	4	12,934,704	13,001,238
Trade and other payables	9	6,145,464	3,032,496
Short term borrowing		-	1,000,000
Total current liabilities		19,080,168	17,033,734
Total liabilities		229,635,247	226,416,362
Total equity and liabilities		296,871,479	293,177,202
Net assets per share (Baizas)	14	115.79	114.54

The financial statements were approved and authorised for issue in accordance with a resolution of the Board of Directors on 29 July 2015.


 Chairperson


 Director

The notes on pages 6 to 15 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>	2015	2014
		RO	RO
Cash flows from operating activities:			
Net profit		3,290,972	2,000,591
<i>Adjustments for:</i>			
Tax expense		1,220,594	1,866,603
Depreciation		3,726,217	3,722,408
Ineffective portion of hedge		-	(3,360)
Amortisation of deferred finance cost		682,935	724,682
Asset retirement obligation-unwinding of discount		20,036	18,395
End of service benefits		2,049	1,876
		<u>8,942,803</u>	<u>8,331,195</u>
<i>Changes in:</i>			
Trade and other receivables		(6,800,617)	(5,641,541)
Inventories		29,085	-
Trade and other payables		3,112,968	1,921,290
Net cash flow from operating activities		<u>5,284,239</u>	<u>4,610,944</u>
Cash flows from investing activities:			
Addition to fixed assets		(13,131)	(59,826)
Net cash (used in) investing activities		<u>(13,131)</u>	<u>(59,826)</u>
Cash flows from financing activities:			
(Repayment of) term loan		(1,530,895)	(1,008,612)
(Repayment of) short term borrowing		(1,000,000)	(2,655,000)
Maturity of short term deposit		3,076,000	-
Dividend paid		(2,449,841)	-
Net cash (used in) financing activities		<u>(1,904,736)</u>	<u>(3,663,612)</u>
Net increase in cash and cash equivalents		3,366,372	887,506
Cash and cash equivalents at beginning of the period		561,558	5,057,149
Cash and cash equivalents at end of the period	7	<u><u>3,927,930</u></u>	<u><u>5,944,655</u></u>

The notes on pages 6 to 15 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	Legal reserve RO	Retained earnings RO	Hedging reserve RO	Total RO
Balance at 1 January 2014	67,488,743	1,091,682	9,114,642	(2,999,008)	74,696,059
<i>Total comprehensive (loss) for the period</i>					
Net profit			2,000,591		2,000,591
<i>Other comprehensive (loss) for the period net of income tax</i>					
Cash flow hedges-effective portion of changes in fair value	-	-	-	(3,944,529)	(3,944,529)
<i>Total comprehensive (loss) for the period</i>	-	-	2,000,591	(3,944,529)	(1,943,938)
<i>Transactions with owners of the Company</i>					
<i>Dividend</i>	-	-	(1,012,331)	-	(1,012,331)
<i>Total transactions with owners of the Company</i>	-	-	(1,012,331)	-	(1,012,331)
Balance at 30 June 2014	67,488,743	1,091,682	10,102,902	(6,943,537)	71,739,790
	RO	RO	RO	RO	RO
Balance at 1 January 2015	67,488,743	1,592,488	8,222,803	(10,543,194)	66,760,840
<i>Total comprehensive income for the period</i>					
Net profit	-	-	3,290,972	-	3,290,972
<i>Other comprehensive (loss) for the period net of income tax</i>					
Cash flow hedges-effective portion of changes in fair value	-	-	-	(365,739)	(365,739)
<i>Total comprehensive income for the period</i>	-	-	3,290,972	(365,739)	2,925,233
<i>Transactions with owners of the Company</i>					
<i>Dividend</i>	-	-	(2,449,841)	-	(2,449,841)
<i>Total transactions with owners of the Company</i>	-	-	(2,449,841)	-	(2,449,841)
Balance at 30 June 2015	67,488,743	1,592,488	9,063,934	(10,908,933)	67,236,232

The notes on pages 6 to 15 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. The Founder Shareholders in the Extraordinary General Meeting ("EGM") held on 31 March, 2014 resolved to convert the Company from SAOC to a public joint stock company ("SAOG") in connection with which the Founder Shareholders offered to sell 35% of their shares for public subscription through an initial public offering and listing on the Muscat Securities Market ("IPO"). The IPO was finalised during the month of June 2014 and the Company 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), and associated gas interconnection facilities and other relevant infrastructure; making available the demonstrated power capacity; and selling the electricity energy delivered to Oman Power and Water Procurement Company SAOC ("OPWP"). Commercial Operation of the Plant was achieved by the Company on 3 April 2013 as compared to the originally scheduled date of 1 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 statement as at and for the year ended 31 December 2014. 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 cost 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 2014.

Significant accounting policies

The 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 2014.

AL BATINAH POWER COMPANY SAOG**Notes to the unaudited condensed interim financial statements****3 Property, plant and equipment**

	Property, plant and equipment RO	Decommi ssioning asset RO	Technical spares RO	Others assets RO	Total RO
Cost					
1 January 2015	296,310,904	398,620	1,640,548	117,302	298,467,374
Additions during the period	-	-	-	13,131	13,131
30 June 2015	296,310,904	398,620	1,640,548	130,433	298,480,505
Depreciation					
1 January 2015	14,688,649	17,718	127,295	83,465	14,917,127
Charge during the period	3,680,731	5,011	32,810	7,665	3,726,217
30 June 2015	18,369,380	22,729	160,105	91,130	18,643,344
Carrying amount					
30 June 2015	277,941,524	375,891	1,480,443	39,303	279,837,161
31 December 2014	281,622,255	380,902	1,513,253	33,837	283,550,247

AL BATINAH POWER COMPANY SAOG

Notes to the unaudited condensed interim financial statements

4 Term loans

	30 June 2015 RO	31 December 2014 RO
Term loans	210,509,659	212,040,554
<i>Less:</i> current portion	(12,934,704)	(13,001,238)
Non-current portion	197,574,955	199,039,316
<i>Less:</i> Unamortised transaction cost	(9,206,484)	(9,889,419)
	<u>188,368,471</u>	<u>189,149,897</u>

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 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; 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 2015 and 31 December 2014 the outstanding amounts were as follows:

Hermes Covered Variable Facility	63,720,109	64,168,283
Commercial facility	47,980,336	48,368,087
Hermes Covered Fixed Facility	40,672,410	40,958,478
KEIM Direct Facility	39,599,675	39,878,198
KEXIM Covered Facility	18,537,129	18,667,508
	<u>210,509,659</u>	<u>212,040,554</u>

AL BATINAH POWER COMPANY SAOG

Notes to the unaudited condensed interim financial statements

5 Trade and other receivables

	30 June	31 December
	2015	2014
	RO	RO
Trade receivables	9,254,179	2,074,956
Prepayments	36,724	371,312
Due from related parties (note 13)	27,227	55,481
Other receivable	27,298	43,062
	<u>9,345,428</u>	<u>2,544,811</u>

6 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 2014 was invested as a short term deposit which matured on the repayment date of 30 April 2015.

7 Cash and cash equivalents

Cash in hand and at bank	<u>3,927,930</u>	<u>561,558</u>
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AL BATINAH POWER COMPANY SAOG

Notes to the unaudited condensed interim financial statements

8 Equity

(a) Share capital

The IPO, where the Founder Shareholders offered to sell 35% of their shares for public subscription was finalised during the month of June 2014 and the Company was listed on the Muscat Securities Market on 23 June 2014.

The details of shareholders holding more than 5% shares are as follows:

30 June 2015	Nationality	No. of shares held of		Aggregate
		nominal value 100 Bzs. each	% of total	nominal value of shares held RO
Kahrabel FZE	UAE	201,791,343	29.90%	20,179,135
Multitech LLC	Omani	96,508,899	14.30%	9,650,890
Civil Service Employees Pension Fund	Omani	55,116,806	8.17%	5,511,680
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	Omani	43,867,681	6.50%	4,386,768
Ministry of Defence Pension Fund	Omani	40,200,737	5.96%	4,020,074
Shareholders with less than 5% shareholding		140,893,058	20.87%	14,089,306
		674,887,430	100.00%	67,488,743

31 December 2014

Kahrabel FZE	UAE	201,791,343	29.90%	20,179,135
Multitech LLC	Omani	96,508,899	14.30%	9,650,890
Civil Service Employees Pension Fund	Omani	53,875,161	7.98%	5,387,516
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	Omani	43,867,681	6.50%	4,386,768
Ministry of Defence Pension Fund	Omani	38,345,869	5.68%	3,834,587
Shareholders with less than 5% shareholding		143,989,571	21.34%	14,398,957
		674,887,430	100.00%	67,488,743

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 Company SAOC have been amended with effect from 30 March 2014. Accordingly from 30 March 2014, the Company’s 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.

AL BATINAH POWER COMPANY SAOG

Notes to the unaudited condensed interim financial statements

9 Trade and other payables

	30 June	31 December
	2015	2014
	RO	RO
Accrued fuel gas	3,381,560	560,839
Accrued interest cost	1,737,166	1,763,274
Other payable and accruals	1,026,738	708,383
	<u>6,145,464</u>	<u>3,032,496</u>

10 Direct costs

	30 June	30 June
	2015	2014
	RO	RO
Fuel gas	13,532,081	6,472,568
Depreciation (note 3)	3,718,552	3,717,555
Operation and maintenance fee	3,305,888	3,192,207
Seawater extraction	454,555	445,638
Insurance	350,536	401,247
Grid connection fee	98,952	104,050
Fuel oil	63,417	-
Asset retirement obligation - unwinding of discount	20,036	18,395
Other operating expenses	192,390	117,753
	<u>21,736,407</u>	<u>14,469,413</u>

11 General and administrative expenses

Secondment fees	122,106	117,754
Public company related costs	88,868	30,558
Employment costs	67,673	47,624
Agency fees	24,583	23,889
Office rent	11,475	8,908
Depreciation (note 3)	7,665	4,853
Plant inauguration costs	-	121,313
Net IPO costs	-	254,185
Other general and administrative expenses	82,045	90,462
	<u>404,415</u>	<u>699,546</u>

AL BATINAH POWER COMPANY SAOG**Notes to the unaudited condensed interim financial statements****12 Finance costs (net)**

	30 June	30 June
	2015	2014
	RO	RO
Interest on term loans	2,727,097	2,858,412
Swap interest	2,326,669	2,475,994
Amortisation of deferred finance costs	682,935	724,682
DSRA LC cost	75,239	73,157
Interest on working capital	17,256	23,495
Exchange loss	9,596	11,254
Interest income	(4,019)	(4,557)
Ineffective portion of interest rate swap	-	(3,360)
	<u>5,834,773</u>	<u>6,159,077</u>

AL BATINAH POWER COMPANY SAOG

Notes to the unaudited condensed interim financial statements

13 Related party transactions

Related parties comprise the shareholders, directors, key management personnel, business entities that have the ability to control or exercise significant influence in 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.

During the period the following significant transactions were carried out with related parties:

	30 June 2015 RO	30 June 2014 RO
Suez Tractebel Operation & Maintenance Oman LLC	3,321,276	3,192,207
Kahrabel Operation & Maintenance (Oman) LLC	65,766	64,409
Shikoku Electric Power Co. Inc.	64,616	8,047
Al Suwadi Power Company SAOG	41,771	19,633
Electrabel S.A.	34,610	33,652
Multitech LLC	16,552	16,094
Laborelec CVBA/SCRL	16,500	-
International Power SA Dubai Branch	15,641	25,740
Directors (sitting fees)	9,200	8,000
Sojitz Corporation	8,276	61,392
Public Authority for Social Insurance	7,524	7,316
	<u>3,601,732</u>	<u>3,436,490</u>

The nature of the above transactions is as follows:

O&M fixed fee	2,582,049	2,563,703
O&M variable fee	723,839	628,504
Secondment fees	122,106	117,754
DSRA LC fee	75,239	73,156
Professional fees	47,529	25,740
Sitting fees	9,200	8,000
Others	41,770	19,633
	<u>3,601,732</u>	<u>3,436,490</u>

Balances due from related parties at 30 June 2015 and 31 December 2014 comprised:

	30 June 2015 RO	31 December 2014 RO
Kahrabel Operation & Maintenance (Oman) LLC	24,637	37,503
Al Suwadi Power Company SAOG	2,590	17,978
	<u>27,227</u>	<u>55,481</u>

AL BATINAH POWER COMPANY SAOG

Notes to the unaudited condensed interim financial statements

14 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 2015 RO	31 December 2014 RO
Net assets - shareholder funds	78,145,165	77,304,034
Weighted average number of shares outstanding during the period	674,887,430	674,887,430
Net assets per share (Baizas)	115.79	114.54

The Management believes that the hedging deficit of RO 10.91 million as at 30 June 2015 (RO 10.54 million as at 31 December 2014) 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.

15 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 June 2015 RO	30 June 2014 RO
Net profit	3,290,972	2,000,591
Weighted average number of shares outstanding during the period	674,887,430	674,887,430
Basic earnings per share (Baizas)	4.88	2.96

16 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 2014.

AL BATINAH POWER COMPANY SAOG

Notes to the unaudited condensed interim financial statements

17 Operating lease commitments

At 30 June 2015 future lease commitments under the Sub Usufruct Agreement are as follows:

	30 June	31 December
	2015	2014
	RO	RO
Within one year	139,662	139,662
Between two and five years	558,648	558,648
After five years	<u>1,160,152</u>	<u>1,229,792</u>

18 Comparative information

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