

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-month period ended 30 September 2016.

Operational Results

The Plant performed with a high reliability of 99.4% and delivered 3,596 GWh to the grid. This excellent performance was achieved with no Lost Time Accidents to any of our staff, thereby clocking 1,913 Lost Time Accident free days since inception which is reflective of our continued focus on Health, Safety, Environment and Quality Management. In testament of this, in July 2016, the Power Plant was awarded by The Royal Society for the Prevention of Accidents (RoSPA) with the "RoSPA Gold Award for Health and Safety". The actual plant load for the period was 74.0% compared to 68.1% in corresponding period of 2015.

Financial Results

	9-month-2016 RO'000 Unaudited	9-month-2015 RO'000 Unaudited	Percentage change
Revenues	60,035	57,001	5.3%
Direct costs	(39,125)	(35,802)	
Gross profit	20,910	21,199	(1.4%)
Other income (net)	55	-	
General and administrative expenses	(556)	(540)	
Profit before interest and tax	20,409	20,659	(1.2%)
Finance costs (net)	(8,354)	(8,833)	
Profit before tax	12,055	11,826	1.9%
Tax expense	(1,057)	(1,831)	
Net profit for the period	10,998	9,995	10.0%

Higher plant load enhanced both revenues and direct costs such as gas cost. Though the cost for major planned maintenance during the year increased the direct costs, the excellent plant operations enabled the Company to achieve a similar level of gross profit compared to the same period of 2015. The steady reduction in finance costs and tax expense in combination with the excellent plant operation resulted in a 10.0% higher net profit as compared to corresponding period in 2015.

The Company distributed a cash dividend of 2.93% (Baizas 2.93 per share) in June 2016. The share price was 200 Baizas at the end of September 2016.

Corporate Social Responsibility

One CSR project was completed during the third quarter of 2016. At the Ali Bin Abi Talib school located in Sohar Al Khuwairiah, the Company sponsored the installation of a soft surface sports field and also paid for 12 mobile water mist cooling fans. The official inauguration will be scheduled for the second half of October.

Medium term Outlook

A first major inspection of Gas Turbine 12 started on 2nd October at the plant site. A successful and timely conclusion of the same at a minimum unplanned financial impact on the Company will be crucial for the current year's financial performance. All reasonable measures are taken by the management to achieve this.

The Board is constantly monitoring the international financial market to relaunch the suspended refinancing exercise of the Company's long term project loan. However, the Board, with the guidance of its financial advisor, has observed that the financial markets have not yet improved to an acceptable level that could make the refinancing exercise financially feasible.

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 interim financial statements

30 September 2016

Registered office:

P.O. Box 39
Postal Code 103
Bareeq Al Shatti
Sultanate of Oman

Principal place of business:

Sohar Industrial Port
Sohar
Sultanate of Oman

AL BATINAH POWER COMPANY SAOG

Unaudited condensed interim financial statements

30 September 2016

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AL BATINAH POWER COMPANY SAOG

Unaudited condensed income statement

for the nine month period ended 30 September

	<i>Notes</i>	2016 RO'000	2015 RO'000
Revenues		60,035	57,001
Direct costs	3	<u>(39,125)</u>	<u>(35,802)</u>
Gross profit		20,910	21,199
Other income (net)		55	-
General and administrative expenses	4	<u>(556)</u>	<u>(540)</u>
Profit before interest and tax		20,409	20,659
Finance costs (net)	5	<u>(8,354)</u>	<u>(8,833)</u>
Profit before tax		12,055	11,826
Tax expense		<u>(1,057)</u>	<u>(1,831)</u>
Net profit for the period		<u>10,998</u>	<u>9,995</u>
Earnings per share			
Basic earnings per share (Baizas)	17	<u>16.30</u>	<u>14.81</u>

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

	2016 RO'000	2015 RO'000
Net profit for the period	10,998	9,995
Other comprehensive (loss) for the period, net of income tax:		
<i>Item that will be reclassified to profit or loss</i>		
Effective portion of change in fair value of cash flow hedge	(3,554)	(3,890)
Total comprehensive income for the period	7,444	6,105

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

	<i>Notes</i>	30 September 2016 RO '000	Audited 31 December 2015 RO '000
Assets			
Non-current assets			
Property, plant and equipment	6	270,601	276,183
Total non-current assets		270,601	276,183
Current assets			
Trade and other receivables	7	8,253	3,186
Inventories		1,746	1,790
Short term deposit	8	-	2,696
Cash and cash equivalents	9	18,892	370
Total current assets		28,891	8,042
Total assets		299,492	284,225
Equity and liabilities			
Equity			
Share capital	10(a)	67,489	67,489
Legal reserve	10(b)	2,301	2,301
Retained earnings		17,660	8,639
Shareholders' fund		87,450	78,429
Hedging reserve	10(c)	(15,825)	(12,271)
Total equity		71,625	66,158
Liabilities			
Non-current liabilities			
Term loans	11	176,501	176,825
Derivative instruments		17,983	13,944
End of service benefits		20	14
Asset retirement obligation		538	504
Deferred tax liability (net)		8,825	8,254
Total non-current liabilities		203,867	199,541
Current liabilities			
Term loans	11	13,490	13,669
Trade and other payables	12	10,390	3,787
Short term borrowing		120	1,070
Total current liabilities		24,000	18,526
Total liabilities		227,867	218,067
Total equity and liabilities		299,492	284,225
Net assets per share (Baizas)	16	129.58	116.21

The financial statements were approved and authorised for issue in accordance with a resolution of the Board of Directors on 26 October 2016.



 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>	2016 RO '000	2015 RO '000
Cash flows from operating activities:			
Net profit for the period		10,998	9,995
<i>Adjustments for:</i>			
Finance costs (net)		8,354	8,833
Depreciation		5,594	5,590
Tax expense		1,057	1,831
End of service benefits		6	3
		<u>26,009</u>	<u>26,252</u>
<i>Change in:</i>			
Trade and other receivables		(5,001)	(5,169)
Inventories		44	40
Trade and other payables		6,089	2,842
Cash generated from operating activities		<u>27,141</u>	<u>23,965</u>
Interest paid		(6,920)	(7,348)
Net cash from operating activities		<u>20,221</u>	<u>16,617</u>
Cash flows from investing activities:			
Acquisition of property, plant and equipment		(12)	(17)
Net cash used in from investing activities		<u>(12)</u>	<u>(17)</u>
Cash flows from financing activities:			
Repayment of term loans		(1,464)	(1,531)
Repayment of short term borrowing		(950)	(1,000)
Maturity of short term deposit		2,696	3,076
Dividends paid		(1,977)	(2,450)
Interest received		8	4
Net cash used in financing activities		<u>(1,687)</u>	<u>(1,901)</u>
Net increase in cash and cash equivalents		18,522	14,699
Cash and cash equivalents at beginning of the period	9	370	562
Cash and cash equivalents at end of the period	9	<u>18,892</u>	<u>15,261</u>

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'000	Legal reserve RO'000	Retained earnings RO'000	Hedging reserve RO'000	Total RO'000
Balance at 1 January 2016	67,489	2,301	8,639	(12,271)	66,158
<i>Total comprehensive income for the period</i>					
Net profit for the period	-	-	10,998	-	10,998
<i>Other comprehensive (loss) for the period, net of income tax</i>					
Effective portion of change in fair value of cash flow hedge	-	-	-	(3,554)	(3,554)
<i>Total comprehensive income for the period</i>	-	-	10,998	(3,554)	7,444
<i>Total transactions with owners of the Company</i>					
Dividend	-	-	(1,977)	-	(1,977)
<i>Total transactions with owners of the Company</i>	-	-	(1,977)	-	(1,977)
Balance at 30 September 2016	67,489	2,301	17,660	(15,825)	71,625
Balance at 1 January 2015	67,489	1,592	8,223	(10,543)	66,761
<i>Total comprehensive income for the period</i>					
Net profit for the period	-	-	9,995	-	9,995
<i>Other comprehensive (loss) for the period, net of income tax</i>					
Effective portion of change in fair value of cash flow hedge	-	-	-	(3,890)	(3,890)
<i>Total comprehensive income for the period</i>	-	-	9,995	(3,890)	6,105
<i>Transactions with owners of the Company</i>					
Dividend	-	-	(2,450)	-	(2,450)
<i>Total transactions with owners of the Company</i>	-	-	(2,450)	-	(2,450)
Balance at 30 September 2015	67,489	1,592	15,768	(14,433)	70,416

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. 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 electrical energy generated to Oman Power and Water Procurement Company SAOC ("OPWP"). 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 2015. 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 2015.

(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 nearest thousand (RO '000) except when otherwise indicated.

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 2015.

AL BATINAH POWER COMPANY SAOG

Notes to the unaudited condensed interim financial statements

	30 September 2016 RO'000	30 September 2015 RO'000
3. Direct costs		
Fuel gas	26,427	23,427
Depreciation (note 6)	5,579	5,578
Operation and maintenance fees	5,274	5,135
Seawater extraction	695	682
Insurance	394	503
Custom duty	316	11
Grid connection fee	138	152
Fuel oil	45	74
Other operating expenses	257	240
	<u>39,125</u>	<u>35,802</u>
4. General and administrative expenses		
Secondment fees	184	186
Employment costs	103	91
Public company related costs	68	78
Agency fees	38	37
Office rent	18	17
Directors' sitting fees (note 13)	14	13
Depreciation (note 6)	14	13
Corporate social responsibility	8	-
Other general and administrative expenses	109	105
	<u>556</u>	<u>540</u>
5. Finance costs (net)		
Interest on term loans	4,318	4,121
Swap interest	2,863	3,489
Amortisation of deferred finance costs	961	1,023
Debt Service Reserve Account ("DSRA") LC cost	140	139
Asset retirement obligation - unwinding of discount	34	31
Exchange loss	32	17
Interest on working capital	14	17
Interest income	(8)	(4)
	<u>8,354</u>	<u>8,833</u>

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Notes to the unaudited condensed interim financial statements

6. Property, plant and equipment

	Property, plant and equipment RO'000	Decommi ssioning asset RO'000	Technical spares RO'000	Others assets RO'000	Total RO'000
Cost					
1 January 2016	296,311	399	1,650	120	298,480
Additions during the period	-	-	11	1	12
30 September 2016	296,311	399	1,661	121	298,492
Depreciation					
1 January 2016	22,050	28	132	87	22,297
Charge during the period	5,521	8	51	14	5,594
30 September 2016	27,571	36	183	101	27,891
Carrying amount					
30 September 2016	268,740	363	1,478	19	270,601
31 December 2015	274,261	371	1,518	33	276,183

7. Trade and other receivables

	30 September 2016 RO '000	Audited 31 December 2015 RO '000
Trade receivables	7,822	2,831
Prepayments	398	343
Due from related parties (note 13)	15	-
Other receivables	18	12
	8,253	3,186

8. 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 2015 was invested as a short term deposit which matured on 28 April 2016.

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Notes to the unaudited condensed interim financial statements

9. Cash and cash equivalents

	30 September 2016 RO '000	Audited 31 December 2015 RO '000
Short term deposits (less than 3 months)	10,343	-
Cash in hand and at bank	8,549	370
	18,892	370

10. Equity

(a) Share capital

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

30 September 2016	Nationality	No. of shares held of nominal value 100 Bzs. each	% of total	Aggregate nominal value of shares held RO'000
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	43,867,681	6.50%	4,387
Ministry of Defence Pension Fund	Omani	40,200,737	5.96%	4,020
Shareholders with less than 5% shareholding		112,854,404	16.72%	11,286
		674,887,430	100.00%	67,489

31 December 2015

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	56,175,569	8.32%	5,618
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	43,867,681	6.50%	4,387
Ministry of Defence Pension Fund	Omani	40,200,737	5.96%	4,020
Shareholders with less than 5% shareholding		139,834,295	20.72%	13,984
		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 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.

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Notes to the unaudited condensed interim financial statements

	30 September 2016 RO '000	Audited 31 December 2015 RO '000
11. Term loans		
Term loans	197,575	199,039
Less: current portion	(13,490)	(13,669)
Non-current portion	184,085	185,370
Less: Unamortised transaction cost	(7,584)	(8,545)
	<u>176,501</u>	<u>176,825</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 a local bank, 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 September 2016 and 31 December 2015 the outstanding amounts were as follows:

Hermes Covered Variable Facility	59,036	59,318
Commercial facility	46,993	47,739
Hermes Covered Fixed Facility	37,683	37,862
KEIM Direct Facility	36,689	36,864
KEXIM Covered Facility	17,174	17,256
	<u>197,575</u>	<u>199,039</u>

12. Trade and other payables

Fuel gas payable and accrual	7,423	1,323
Accrued finance costs	2,149	1,702
Due to related parties (note 13)	441	462
Other payables and accruals	377	300
	<u>10,390</u>	<u>3,787</u>

13. 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 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.

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 2016 RO '000	30 September 2015 RO '000
Key Management benefits	<u>280</u>	<u>286</u>

AL BATINAH POWER COMPANY SAOG

Notes to the unaudited condensed interim financial statements

13 Related party transactions (continued)

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

	30 September 2016 RO '000	30 September 2015 RO '000
Suez Tractebel Operation & Maintenance Oman LLC	5,590	5,151
Al Suwadi Power Company SAOG	122	69
Kahrabel Operation & Maintenance (Oman) LLC	100	101
Shikoku Electric Power Co. Inc.	99	100
Electrabel S.A.	65	64
International Power SA Dubai Branch	32	23
Multitech LLC	31	31
Sojitz Corporation	15	15
Directors (sitting fees)	14	13
Public Authority for Social Insurance	14	14
Laborelec CVBA/SCRL	5	16
	6,087	5,597

The nature of the above transactions is as follows:

O&M fixed fee	3,884	3,865
O&M variable fee	1,390	1,270
Custom duty (reimbursement at actual)	316	-
Secondment fees	184	186
DSRA LC fee	140	139
Professional fees	37	55
Sitting fees	14	13
Others	122	69
	6,087	5,597

	30 September 2016 RO '000	Audited 31 December 2015 RO '000
Balance due to related parties at 30 September 2016 and 31 December 2015 comprised		

Suez Tractebel Operation & Maintenance Oman LLC	421	439
Kahrabel Operation & Maintenance (Oman) LLC	11	10
Shikoku Electric Power Co. Inc.	9	9
Electrabel S.A.	-	4
	441	462

Balances due from related parties at 30 September 2016 and 31 December 2015 comprised:

Kahrabel Operation & Maintenance (Oman) LLC	15	-
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AL BATINAH POWER COMPANY SAOG

Notes to the unaudited condensed interim financial statements

14. 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 2015.

15. Commitments

- a) Operation and maintenance commitments and land lease commitments are consistent, with those disclosed in the financial statements as at and for the year ended 31 December 2015 as reduced by amounts accounted for during the nine month period ended 30 September 2016.
- b) The Company has placed purchase orders for RO 301 thousands (mainly relating to spare parts) which are outstanding as at 30 September 2016.

16. 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 2016	Audited 31 December 2015
Net assets - shareholder funds (RO'000)	87,450	78,429
Weighted average number of shares outstanding during the period/year ('000)	674,887	674,887
Net assets per share (Baizas)	129.58	116.21

The Management believes that the hedging deficit of RO 15.83 million as at 30 September 2016 (RO 12.27 million as at 31 December 2015) 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.

17. Basic earnings per share

Basic earnings per share is calculated by dividing the 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 2016	30 September 2015
Net profit for the period (RO'000)	10,998	9,995
Weighted average number of shares outstanding during the period ('000)	674,887	674,887
Basic earnings per share (Baizas)	16.30	14.81

18. Comparative information

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