

Al Suwadi Power S.A.O.G. (the “Company”)
Report of the Directors for the six months to 30 June 2014

1. Introduction

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

The Barka III plant was inaugurated by His Excellency Ahmad bin Abdallah bin Mohamed Al Shehhi (Minister of Regional Municipalities and Water Resources) on 26th March 2014.

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

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

2. Review of Operations

The Barka III plant has operated well during the six months of the current year and achieved 99.2% reliability, compared to 99.3% for the same period in 2013. The plant dispatched 1,434.8 GWh of power, which is 81.3% higher than the same period in 2013 (791.2 GWh). The planned plant maintenance for Q1 2014 was completed within schedule and the plant successfully passed its annual performance test on 19/03/2014.

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

3. Financial Result

3.1 Operating Revenue & Gross Profit

The Company achieved a turnover of OMR 24.8 million and an EBITDA of OMR 14.6 million, compared with OMR 17.2 million & OMR 12.2 million respectively in the same period in 2013

3.2 Operating, General & Administrative Costs (OGA)

OGA were OMR 14.1 million which included one off costs of OMR 0.4 million related to the IPO and plant inauguration.

3.3 Finance Expenses

Finance expenses were OMR 6.6 million

3.4 Net profit & Earnings per Share

The net profit for the Company for the six month to June 2014 was OMR 2.0 million compared to OMR 5.4 million for the same period in 2013. Earnings per share (EPS) were OMR 0.003 compared with OMR 0.150 in the same period in 2013 (N.B. the nominal share capital was revalued from OMR 1.000 to OMR 0.1000 via a share split in Q1 2014, therefore the comparative EPS for the same period in 2013 is OMR 0.015).

* Important note: for purposes of comparison, the Company advises that it started operations in April 2013 and that its contractual tariff is highly seasonal (lower in October to March and higher in April to September). Therefore, while revenues for the 6-month period ended 30 June 2014 (6 months of operations) are higher than in the same period of 2013 (3 months of operations), the net profit is lower due to a blend of low and high tariff (while the same period in 2013 was not affected by low winter tariff).

3.5 Dividends

The Company paid a dividend of OMR 0.0015 per share in July 2014 compare to OMR 0.000 in the same period in 2013

4.0 Future Outlook

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

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

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

On behalf of the Board

Philippe Langet
Chairman

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Unaudited statement of profit or loss

for the six month period ended 30 June

	<i>Notes</i>	2014 RO	2013 RO
Revenue		24,764,011	17,209,431
Direct cost	<i>9</i>	<u>(13,423,925)</u>	<u>(7,450,868)</u>
Gross profit		11,340,086	9,758,563
General and administrative expenses	<i>10</i>	<u>(721,672)</u>	<u>(165,727)</u>
Profit before interest and taxes		10,618,414	9,592,836
Finance costs	<i>11</i>	<u>(6,610,523)</u>	<u>(3,140,400)</u>
Net profit before tax		4,007,891	6,452,436
Tax expense		<u>(2,044,175)</u>	<u>(1,038,903)</u>
Net profit after tax		<u>1,963,716</u>	<u>5,413,533</u>
Basic earnings per share * (Baizas)	<i>14</i>	2.75	15.05

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

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Unaudited statement of comprehensive income

for the six month period ended 30 June

	2014 RO	2013 RO
Net profit after tax	1,963,716	5,413,533
Other comprehensive income, net of tax:		
<i>Item that will be reclassified to profit and loss</i>		
Cash flow hedges - effective portion of changes in fair value	<u>(4,349,078)</u>	<u>11,716,190</u>
Total comprehensive (loss) income for the period	<u>(2,385,362)</u>	<u>17,129,723</u>

AL SUWADI POWER COMPANY SAOG**Unaudited statement of financial position***as at*

	<i>Notes</i>	30 June 2014 RO	31 December 2013 RO
Non-current assets			
Property, plant and equipment	3	309,066,468	313,007,650
Deferred tax asset		1,050,262	444,590
Total non-current assets		310,116,730	313,452,240
Current assets			
Trade and other receivables	5	8,298,705	2,779,347
Inventories		2,007,757	2,007,757
Cash and cash equivalents	6	7,072,790	4,772,255
Total current assets		17,379,252	9,559,359
Total assets		327,495,982	323,011,599
Equity			
Share capital	7(a)	71,440,634	71,440,634
Legal reserve	7(b)	1,797,752	1,797,752
Retained earnings		12,719,887	11,827,781
Shareholder's fund		85,958,273	85,066,167
Hedging reserve	7(c)	(7,438,755)	(3,089,677)
Total equity		78,519,518	81,976,490
Non-current liabilities			
Term loans	4	215,029,356	215,086,086
Derivative instruments		8,453,130	3,527,174
End of service benefits		4,086	3,099
Asset retirement obligation		517,717	496,861
Deferred tax liability		5,947,437	3,888,705
Total non-current liabilities		229,951,726	223,001,925
Current liabilities			
Term loans	4	12,564,295	12,780,708
Short term borrowing		-	1,700,000
Trade and other payables	8	5,388,833	3,552,476
Dividend payable	(7d)	1,071,610	-
Total current liabilities		19,024,738	18,033,184
Total liabilities		248,976,464	241,035,109
Total equity and liabilities		327,495,982	323,011,599
Net asset per share (Baizas)	13	120	158

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Unaudited statement of cash flows

for the six month period ended 30 June

	2014 RO	2013 RO
Cash flows from operating activities:		
Net profit after tax	1,963,716	5,413,533
Adjustments for:		
Income tax expense	2,044,175	1,038,903
Depreciation	4,001,895	2,581,437
Ineffective portion of hedge	(14,236)	(116,069)
End of service benefits (net)	987	185
	<u>7,996,537</u>	<u>8,917,989</u>
<i>Changes in:</i>		
Trade and other receivables	(5,519,357)	(10,541,152)
Inventories	-	(443,013)
Asset retirement obligation	20,856	780,270
Trade and other payables	1,836,357	(4,116,810)
Net cash used in operating activities	<u>4,334,392</u>	<u>(5,402,716)</u>
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(60,713)	(130,699,848)
Sale of property, plant and equipment	-	80
Transfer of capital work in progress	-	112,863,489
Net cash used in investing activities	<u>(60,713)</u>	<u>(17,836,279)</u>
Cash flows from financing activities:		
Movement in share capital	-	70,940,634
Movement in shareholder loan	-	(7,094,063)
Movement in equity bridge loan	-	(63,817,434)
Net proceeds from term loan	(273,144)	22,601,133
Short term borrowing	(1,700,000)	829,000
Net cash (used in) from financing activities	<u>(1,973,144)</u>	<u>23,459,270</u>
Net change in cash and cash equivalents	<u>2,300,535</u>	<u>220,275</u>
Cash and cash equivalents at beginning of the period	<u>4,772,255</u>	<u>853,355</u>
Cash and cash equivalents at end of the period (note 6)	<u><u>7,072,790</u></u>	<u><u>1,073,630</u></u>

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Unaudited statement of changes in equity

for the six months period ended 30 June

	Share capital RO	Hedging reserve RO	Legal reserve RO	Retained earnings RO	Total RO
Unaudited					
At 1 January 2013	500,000	(19,196,152)	100,194	779,261	(17,816,697)
<i>Total comprehensive income for the period</i>					
Profit for the period	-	-	-	5,413,533	5,413,533
<i>Other comprehensive income for the period</i>					
Changes in fair value of cash flow hedge, net of income tax	-	11,716,190	-	-	11,716,190
Total comprehensive income for the period	-	11,716,190	-	5,413,533	17,129,723
<i>Transactions with owners of the Company</i>					
Conversion of shareholder and equity bridge loans	70,940,634	-	-	-	70,940,634
Total transactions with owners of the Company	70,940,634	-	-	-	70,940,634
At 30 June 2013	71,440,634	(7,479,962)	100,194	6,192,794	70,253,660
At 1 January 2014	71,440,634	(3,089,677)	1,797,752	11,827,781	81,976,490
Total comprehensive income for the period					
Profit for the period	-	-	-	1,963,716	1,963,716
Other comprehensive income for the period					
Changes in fair value of cash flow hedge, net of income tax	-	(4,349,078)	-	-	(4,349,078)
Total comprehensive loss for the period	-	(4,349,078)	-	1,963,716	(2,385,362)
Transactions with owners of the Company					
Dividend	-	-	-	(1,071,610)	(1,071,610)
Total transactions with owners of the Company	-	-	-	(1,071,610)	(1,071,610)
At 30 June 2014	71,440,634	(7,438,755)	1,797,752	12,719,887	78,519,518

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Notes to the unaudited financial statements

At 30 June 2014

1 Legal status and principal activities

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

The Company’s principal activities are as follows:

- Design, procurement, construction, commissioning and financing of the Barka 3 Power Plant (“the Plant”) with a capacity of about 750 MW.
- The full operation and maintenance of the Plant in accordance with good practices throughout the useful life time of the Plant from the Commercial Operation Date (“COD”).
- Making available the demonstrated power capacity.
- Selling the electricity energy delivered to Oman Power & Water Procurement Company SAOC (“OPWP”).

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

Commercial Operation of the Plant was achieved by the Company on 4 April 2013.

2 Significant event

The Company – Initial Public Offering (“IPO”)

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

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

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Notes to the unaudited financial statements At 30 June 2014

3 Property, plant and equipment

	Property, plant and equipment RO	De- commissioning asset RO	Technical spares RO	Others assets RO	Total RO
<i>Cost</i>					
1 January 2014	317,840,540	466,771	1,411,969	72,403	319,791,683
Additions during the period	<u>10,670</u>	<u>-</u>	<u>40,384</u>	<u>9,659</u>	<u>60,713</u>
30 June 2014	<u>317,851,210</u>	<u>466,771</u>	<u>1,452,353</u>	<u>82,062</u>	<u>319,852,396</u>
<i>Depreciation</i>					
1 January 2014	6,666,280	8,914	41,815	67,004	6,784,033
Charge for the period	<u>3,963,707</u>	<u>5,867</u>	<u>29,047</u>	<u>3,274</u>	<u>4,001,895</u>
30 June 2014	<u>10,629,987</u>	<u>14,781</u>	<u>70,882</u>	<u>70,278</u>	<u>10,785,928</u>
<i>Carrying amount</i>					
30 June 2014	<u>307,221,223</u>	<u>451,990</u>	<u>1,381,471</u>	<u>11,784</u>	<u>309,066,468</u>
31 December 2013	<u>311,174,260</u>	<u>457,857</u>	<u>1,370,134</u>	<u>5,399</u>	<u>313,007,650</u>

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Notes to the unaudited financial statements

At 30 June 2014

4 Term loan

	30 June 2014 RO	31 December 2013 RO
Term loans	238,797,851	239,857,507
<i>Less:</i> current portion	<u>(12,564,295)</u>	<u>(12,780,708)</u>
Non-current portion	226,233,556	227,076,799
<i>Less:</i> Unamortised transaction cost	<u>(11,204,200)</u>	<u>(11,990,713)</u>
	<u>215,029,356</u>	<u>215,086,086</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, Bank Muscat SAOG as Onshore Account Bank; Performance Bond Issuing Bank and Performance Bond Facility Agent and KfW IpeX Bank GMBH as the Hermes Facility Agent.

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

	Limit RO	Outstanding RO
30 June 2014		
Hermes covered variable facility	74,977,500	71,003,693
KEXIM direct facility	53,434,734	50,602,693
Commercial facility	48,948,773	46,985,927
Hermes covered fixed facility	46,140,000	43,694,580
KEXIM covered facility	<u>27,994,676</u>	<u>26,510,958</u>
	<u>251,495,683</u>	<u>238,797,851</u>
31 December 2013		
Hermes covered variable facility	74,977,500	71,138,652
KEXIM direct facility	53,434,734	50,698,875
Commercial facility	48,948,773	47,680,999
Hermes covered fixed facility	46,140,000	43,777,632
KEXIM covered facility	<u>27,994,676</u>	<u>26,561,348</u>
	<u>251,495,683</u>	<u>239,857,507</u>

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Notes to the unaudited financial statements

At 30 June 2014

5 Trade and other receivables

	30 June 2014 RO	31 December 2013 RO
Trade receivables	7,462,610	2,277,311
Prepayments and other receivables	831,238	488,301
Due from related parties (note 12)	4,857	13,735
	<u>8,298,705</u>	<u>2,779,347</u>

6 Cash and cash equivalents

Cash in hand and at bank	7,068,790	1,811,605
Restricted cash	4,000	-
Short term deposit with a bank	-	2,960,650
	<u>7,072,790</u>	<u>4,772,255</u>

7 Equity

(a) Share capital

As at 30 June, 2014, the Company's issued and paid-up capital consists of 674,887,430 shares of 100 baizas each. The Company was incorporated with an initial paid-up capital of 500,000 shares of RO 1 each. In 2013 the Company increased its issued share capital from RO 500,000 to RO 67,488,743 by means of a debt/equity conversion of the equity bridge loans and shareholder loans.

The details of the shareholders are as follows:

30 June 2014

	Nationality	No. of shares held of nominal value RO 0.100 each	% of total	Aggregate nominal value of shares held RO'000s
Kahrabel FZE	UAE	213,607,492	29.90%	21,360,750
Multitech LLC	Omani	102,160,110	14.30%	10,216,011
SEP International Netherlands B.V	Netherlands	51,080,055	7.15%	5,108,005
Blue Horizon Sohar Power B.V	Netherlands	51,080,055	7.15%	5,108,005
Public Authority for Social Insurance Public	Omani	46,436,409	6.50%	4,643,641
		<u>250,042,219</u>	<u>35.0%</u>	<u>25,004,222</u>
		<u>714,406,340</u>	<u>100.0%</u>	<u>71,440,634</u>

31 December 2013

	Nationality	No. of shares held of nominal value RO 1 each	% of total	Aggregate nominal value of shares held RO'000s
Kahrabel FZE	UAE	230,000	46%	230,000
Multitech LLC	Omani	110,000	22%	110,000
SEP International Netherlands B.V	Netherlands	55,000	11%	55,000
Blue Horizon Sohar Power B.V	Netherlands	55,000	11%	55,000
Public Authority for Social Insurance	Omani	50,000	10%	50,000
		<u>500,000</u>	<u>100%</u>	<u>500,000</u>

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Notes to the unaudited financial statements

At 30 June 2014

7 Equity (continued)

In 2013, the Capital Markets Authority (CMA) advised to proceed with a stock split of 1:10, i.e. 10 shares with a nominal value of 100 baizas in replacement of 1 share with RO 1 nominal value. Pursuant to the approval by the shareholders to proceed with the stock split during the Extraordinary General Meeting held on 18 February, 2014, the Articles of Association of the Company and the Shareholders' Register at Muscat Clearing and Depository have been amended with effect from 30 March, 2014. Accordingly from 30 March, 2014, the Company's issued and paid-up capital consists of 714,406,340 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.

(d) Dividend declared

Further to the 23 March, 2014 shareholders resolution, the Board of Directors, in the meeting held on 12 June, 2014, approved an interim cash dividend of 1.5 baizas per share from the audited accounts of the Company as of 31 December 2013 to the shareholders of the Company who are registered in the Company shareholders' register with Muscat Depository & Securities Registration Company SAOC as on 25 June 2014.

8 Trade and other payables

	30 June 2014 RO	31 December 2013 RO
Trade payables	93,719	55,184
Due to related parties (note 12)	346,899	226,495
Accrued gas cost	1,468,860	558,633
Accrual interest cost	1,928,465	1,937,567
Other payable and accruals	1,550,890	774,597
	<u>5,388,833</u>	<u>3,552,476</u>

9 Direct cost

	30 June 2014 RO	30 June 2013 RO
Fuel gas	5,665,991	2,903,683
Operation and maintenance cost	3,112,714	1,730,236
Depreciation (note 3)	3,998,621	2,569,933
Insurance	415,488	166,517
Other operating expenses	231,111	80,499
	<u>13,423,925</u>	<u>7,450,868</u>

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Notes to the unaudited financial statements

At 30 June 2014

10 General and administrative expenses

	30 June 2014	30 June 2013
	RO	RO
Office rent	8,033	6,036
Employment costs	47,167	42,880
Secondment fees	118,084	56,586
Agency fees	23,894	12,525
Audit and tax fees	8,859	4,692
Plant inauguration costs	121,256	-
Net IPO Costs	268,203	-
Depreciation (note 3)	3,274	11,504
Other general and administrative expenses	122,902	31,504
	<u>721,672</u>	<u>165,727</u>

11 Finance costs

Swap interest	2,684,403	1,298,101
Interest on term loans	3,055,709	1,554,927
Interest on working capital	11,303	6,010
Amortisation of deferred finance costs	786,513	393,467
Interest income	(4,171)	(4)
Effective portion of hedge	(14,236)	(116,069)
DSRA LC cost	78,223	-
Other interest	-	29
Exchange loss	12,779	3,939
	<u>6,610,523</u>	<u>3,140,400</u>

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Notes to the unaudited financial statements

At 30 June 2014

12 Related party transactions

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

(i) Purchase of services

	30 June 2014	30 June 2013
	RO	RO
Purchase of services	3,375,810	1,795,651

(ii) Remuneration to directors

Directors sitting fees	8,000	4,200
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(iii) Year end balances

	30 June 2014	31 December 2013
	RO	RO
Due from related parties	4,857	13,735
Due to related parties	366,899	226,495

13 Net assets per share

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

	30 June 2014	31 December 2013
Net assets – shareholder funds (RO’000)	85,958	85,066
Weighted average number of shares outstanding during the period (‘000s)	714,405	537,055
Net asset per share (Baizas)	120	158

Weighted average number of shares as at 31 December, 2013 is based on 5,000,000 shares outstanding as at 01 January, 2013 for three months (25% weightage) and 714,406,340 shares outstanding as at 31 December, 2013 for nine months (75% weightage).

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

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Notes to the unaudited financial statements

At 30 June 2014

14 Basic earnings per share

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

	30 June 2014	31 December 2013
Profit for the period (RO'000)	1,964	5,414
Weighted average number of shares outstanding during the period ('000s)	714,405	359,703
Earnings per share (Baizas)	2.75	15.05

Weighted average number of shares as at 30 June, 2013 is based on 5,000,000 shares outstanding as at 01 January, 2013 for three months (50% weightage) and 714,406,340 shares outstanding as at 30 June, 2013 for three months (50% weightage).