

Al Suwadi Power S.A.O.G. (the “Company”)
Report of the Directors for the nine months ended 30 September 2014

1. Introduction

The Directors are pleased to submit their report, together with the financial statements of the Company, for the nine months ended 30 September 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 26 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 23 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. A full time internal auditor has also been appointed.

2. Review of Operations

The Barka III plant has operated well during the nine months of the current year and achieved 99.46% reliability, compared to 99.6% for the same period in 2013. The plant dispatched 2,619 GWh of power, which is higher than the same period in 2013 (2,052 GWh) due to start of commercial operations in April 2013. The planned plant maintenance for Q1 2014 was completed within schedule and the plant successfully passed its annual performance test on 19 March 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 September 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 44.0 million and an EBIT of OMR 21.2 million, compared with OMR 36.7 million and OMR 28.8 million respectively in the same period in 2013.

3.2 Operating, General & Administrative Costs (OGA)

OGA were OMR 22.7 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 10.0 million.

3.4 Net profit & Earnings per Share

The net profit for the Company for the nine months ended 30 September 2014 was OMR 8.2 million compared to OMR 20.1 million for the same period in 2013. Earnings per share (EPS) translate to Baizas 11.44 for the nine months ended 30 September 2014 compared to Baizas 41.98 for the same period in 2013.

Important note: for the purposes of comparison, the Board advises that the Company 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 9-month period ended 30 September 2014 (9 months of operations) are higher compared to the same period of 2013 (6 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) and further due to the one-off settlement of liquidated damages under the EPC Contract in 2013. Furthermore in terms of comparison of earnings per share, the weighted average number of shares outstanding in September 2013 is lower due to debt/equity conversion on 1 April 2013.

3.5 Dividends

During the nine months ended 30 September 2014, the Company paid a dividend of Baiza 1.5 per share (in July 2014) compared to Baiza 0.0 in the same period of 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 nine 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 Langlet
Chairman

AL SUWADI POWER COMPANY SAOG

Unaudited statement of profit or loss

for the nine month period ended 30 September

	Notes	2014 RO	2013 RO
Revenue		43,962,507	36,731,687
Direct cost	9	<u>(21,836,633)</u>	<u>(16,642,124)</u>
Gross profit		22,125,874	20,089,563
Liquidated damages (net)		<u>-</u>	<u>8,972,273</u>
		22,125,874	29,061,836
General and administrative expenses	10	<u>(898,753)</u>	<u>(299,204)</u>
Profit before interest and taxes		21,227,121	28,762,632
Finance costs	11	<u>(9,988,372)</u>	<u>(6,623,208)</u>
Net profit before tax		11,238,749	22,139,424
Tax expense		<u>(3,069,058)</u>	<u>(2,066,220)</u>
Net profit after tax		<u>8,169,691</u>	<u>20,073,204</u>
Basic earnings per share * (Baizas)	14	11.44	41.98

*Variance in basic earnings per share between nine month period ended 30 September 2014 and 30 September 2013 is due to a combination of increase in share capital resulting from a debt/equity conversion on 1 April 2013 (refer to note 14 for details) and the settlement of liquidated damages under the EPC contract in 2013.

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Unaudited statement of comprehensive income

for the nine month period ended 30 September

	2014 RO	2013 RO
Net profit after tax	8,169,691	20,073,204
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>12,967,802</u>
Total comprehensive income for the period	<u>3,820,613</u>	<u>33,041,006</u>

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

	<i>Notes</i>	30 September 2014 RO	31 December 2013 RO
Non-current assets			
Property, plant and equipment	3	307,132,942	313,007,650
Deferred tax asset		1,014,376	444,590
Total non-current assets		308,147,318	313,452,240
Current assets			
Trade and other receivables	5	6,312,932	2,779,347
Inventories		1,877,055	2,007,757
Cash and cash equivalents	6	17,776,167	4,772,255
Total current assets		25,966,154	9,559,359
Total assets		334,113,472	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		18,925,862	11,827,781
Shareholder's fund		92,164,248	85,066,167
Hedging reserve	7(c)	(7,438,755)	(3,089,677)
Total equity		84,725,493	81,976,490
Non-current liabilities			
Term loans	4	215,421,741	215,086,086
Derivative instruments		8,453,131	3,527,174
End of service benefits		4,650	3,099
Asset retirement obligation		528,651	496,861
Deferred tax liability		6,936,434	3,888,705
Total non-current liabilities		231,344,607	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	5,479,077	3,552,476
Total current liabilities		18,043,372	18,033,184
Total liabilities		249,387,979	241,035,109
Total equity and liabilities		334,113,472	323,011,599
Net asset per share (Baizas)	13	129	158

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Unaudited statement of cash flows

for the nine month period ended 30 September

	2014 RO	2013 RO
Cash flows from operating activities:		
Net profit after tax	8,169,691	20,073,204
Adjustments for:		
Income tax expense	3,069,058	2,066,220
Depreciation	6,005,680	5,255,245
Effective portion of hedge	(14,236)	(116,287)
Amortisation of deferred finance costs	1,178,898	807,224
End of service benefits (net)	1,551	453
	<u>18,410,642</u>	<u>28,086,059</u>
<i>Changes in:</i>		
Trade and other receivables	(3,533,585)	(4,005,385)
Inventories	130,702	740,346
Asset retirement obligation	31,790	796,748
Trade and other payables	1,926,601	(13,917,937)
Net cash from operating activities	<u>16,966,150</u>	<u>11,699,831</u>
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(130,972)	(131,012,915)
Sale of property, plant and equipment	-	80
Transfer of capital work in progress	-	112,863,489
Net cash used in investing activities	<u>(130,972)</u>	<u>(18,149,346)</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)
(Repayment of)/ proceeds from term loan	(1,059,656)	25,190,411
Dividend	(1,071,610)	-
Short term borrowing	(1,700,000)	-
Net cash (used in) from financing activities	<u>(3,831,266)</u>	<u>25,219,548</u>
Net change in cash and cash equivalents	<u>13,003,912</u>	<u>18,770,033</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>17,776,167</u>	<u>19,623,388</u>

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Unaudited statement of changes in equity
for the nine months period ended 30 September

	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)
Total comprehensive income for the period					
Profit for the period	-	-	-	20,073,204	20,073,204
Other comprehensive income for the period					
Changes in fair value of cash flow hedge, net of income tax	-	12,967,802	-	-	12,967,802
Total comprehensive income for the period	-	12,967,802	-	20,073,204	33,041,006
Transactions with owners of the Company					
Conversion of equity and shareholder loans	70,940,634	-	-	-	70,940,634
Total transactions with owners of the Company	70,940,634	-	-	-	70,940,634
At 30 September 2013	71,440,634	(6,228,350)	100,194	20,852,465	86,164,943
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	-	-	-	8,169,691	8,169,691
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 income for the period	-	(4,349,078)	-	8,169,691	3,820,613
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 September 2014	71,440,634	(7,438,755)	1,797,752	18,925,862	84,725,493

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Notes to the unaudited financial statements

At 30 September 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% by Blue Horizon Barka Power B.V. (BH), Netherlands (a Sojitz Corporation group company); 7.15% by SEP International Netherlands B.V. (SEPI), Netherlands (a Shikoku Electric Power group company), 6.5% by Public Authority for Social Insurance (PASI), Oman, (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 September 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	10,670	-	92,606	27,696	130,972
30 September 2014	<u>317,851,210</u>	<u>466,771</u>	<u>1,504,575</u>	<u>100,099</u>	<u>319,922,655</u>
<i>Depreciation</i>					
1 January 2014	6,666,280	8,914	41,835	67,004	6,784,033
Charge for the period	5,945,561	8,849	45,960	5,310	6,005,680
30 September 2014	<u>12,611,841</u>	<u>17,763</u>	<u>87,795</u>	<u>72,314</u>	<u>12,789,713</u>
<i>Carrying amount</i>					
30 September 2014	<u>305,239,369</u>	<u>449,008</u>	<u>1,416,780</u>	<u>27,785</u>	<u>307,132,942</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 September 2014

4 Term loans

	30 September 2014 RO	31 December 2013 RO
Term loans	238,797,851	239,857,507
Less: current portion	<u>(12,564,295)</u>	<u>(12,780,708)</u>
Non-current portion	226,233,556	227,076,799
Less: Unamortised transaction cost	<u>(10,811,815)</u>	<u>(11,990,713)</u>
	<u>215,421,741</u>	<u>215,086,086</u>

On 16 September 2010, the Company entered into a Common Terms Agreement (öCTAö), 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 September 2014 and 31 December 2013 the facility limits and outstanding amounts were as follows:

	Limit RO	Outstanding RO
30 September 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>26,561,349</u>
	<u>251,495,683</u>	<u>239,857,507</u>

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Notes to the unaudited financial statements

At 30 September 2014

5 Trade and other receivables

	30 September 2014 RO	31 December 2013 RO
Trade receivables	5,652,656	2,277,311
Prepayments and other receivables	609,333	488,301
Due from related parties (note 12)	50,943	13,735
	<u>6,312,932</u>	<u>2,779,347</u>

6 Cash and cash equivalents

Cash in hand and at bank	17,772,167	1,811,605
Restricted cash	4,000	-
Short term deposit with a bank	-	2,960,650
	<u>17,776,167</u>	<u>4,772,255</u>

7 Equity

(a) Share capital

As at 30 September, 2014, the Company's issued and paid-up capital consists of 714,406,340 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 71,440,634 by means of a debt/equity conversion of the equity bridge loans and shareholder loans.

The details of the shareholders are as follows:

30 September 2014

	Nationality	No. of shares held of nominal value RO 0.100 each	% of total	Aggregate nominal value of shares held RO
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 Barka 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
Kahrabel FZE	UAE	32,862,692	46%	32,862,692
Multitech LLC	Omani	15,716,939	22%	15,716,939
SEP International Netherlands B.V	Netherlands	7,858,470	11%	7,858,470
Blue Horizon Barka Power B.V	Netherlands	7,858,470	11%	7,858,470
Public Authority for Social Insurance	Omani	7,144,063	10%	7,144,063
		<u>71,440,634</u>	<u>100%</u>	<u>71,440,634</u>

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Notes to the unaudited financial statements At 30 September 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 September 2014 RO	31 December 2013 RO
Trade payables	10,164	55,184
Due to related parties (note 12)	360,672	226,495
Accrued gas cost	1,330,023	558,633
Accrual interest cost	2,445,034	1,937,567
Other payable and accruals	1,333,184	774,597
	<u>5,479,077</u>	<u>3,552,476</u>

9 Direct cost

	30 September 2014 RO	30 September 2013 RO
Fuel gas	9,888,037	7,388,272
Operation and maintenance cost	4,937,898	3,525,111
Depreciation (note 3)	6,000,370	5,237,905
Insurance	596,496	340,203
Unwinding of discount	31,790	32,443
Other operating expenses	382,042	118,190
	<u>21,836,633</u>	<u>16,642,124</u>

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Notes to the unaudited financial statements

At 30 September 2014

10 General and administrative expenses

	30 September 2014 RO	30 September 2013 RO
Office rent	12,698	10,151
Employment costs	72,884	61,937
Secondment fees	177,124	116,115
Agency fees	36,039	24,051
Audit and tax fees	13,499	10,290
Plant inauguration costs	121,256	-
Net IPO Costs	274,481	-
Depreciation (note 3)	5,310	17,340
Other general and administrative expenses	185,462	59,320
	<u>898,753</u>	<u>299,204</u>

11 Finance costs

Swap interest	4,045,158	2,708,379
Interest on term loans	4,604,450	3,195,917
Interest on working capital	11,290	6,374
Amortisation of deferred finance costs	1,178,898	807,224
Interest income	(4,176)	(4)
Effective portion of hedge	(14,236)	(116,287)
DSRA LC cost	145,362	-
Other interest	-	29
Exchange loss	21,626	21,576
	<u>9,988,372</u>	<u>6,623,208</u>

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Notes to the unaudited financial statements At 30 September 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 September 2014 RO	30 September 2013 RO
Purchase of services	5,338,022	3,677,043

(ii) Remuneration to directors

Directors sitting fees	12,200	7,600
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(iii) Year end balances

	30 September 2014 RO	31 December 2013 RO
Due from related parties	50,943	13,735
Due to related parties	360,672	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 September 2014	31 December 2013
Net assets ó shareholder funds (ROø000)	92,164	85,066
Weighted average number of shares outstanding during the period (-000s)	714,405	537,055
Net asset per share (Baizas)	129	158

Weighted average number of shares as at 31 December, 2013 is based on 5,000,000 shares outstanding as at 1 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 September 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 September 2014	30 September 2013
Profit for the period (RO000)	8,170	20,073
Weighted average number of shares outstanding during the period (÷000s)	714,405	478,174
Earnings per share (Baizas)	11.44	41.98

The weighted average number of shares as at 30 September, 2013 is based on 5,000,000 shares outstanding as at 1 January 2013 for three months (33.3% weightage) and 714,406,340 shares outstanding as at 30 September 2013 for six months (66.7% 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).