

BOARD OF DIRECTORS' REPORT

Dear Shareholders,

On behalf of the Board of Directors of Al Suwadi Power Company SAOG (the "Company"), I have the pleasure to present the Directors' Report of the Company for the quarter ended 31 March 2018.

Operational Results

The plant successfully passed the Annual Performance Test, conducted in April 2018, for the 6th Contract Year under the Power Purchase Agreement by demonstrating the Guaranteed Net Capacity on both fuel oil and gas.

The Plant ran smoothly and efficiently with reliability of 99.47% and delivered 942 GWh to the Oman grid. The actual plant load for the period was 59.11% as against 47.46% in corresponding period of 2017. The thermal efficiency, which determines the efficiency in the economical utilisation of the gas, was 100.28%. Again, this admirable performance was achieved with no Lost Time Accidents to any of our staff, thereby clocking 2,464 Lost Time Accident free days since inception, and is reflective of our continued internal focus on Health, Safety, Environment and Quality Management.

Financial Results

	3-month 2018 RO'000 Unaudited	3-month 2017 RO'000 Unaudited	Percentage change
Revenues	12,127	10,509	15.4%
Direct Costs	-11,445	-9,870	-16.0%
Gross Profit	682	639	6.7%
Loss before tax	-2,202	-2,331	5.5%
Tax expense	-419	-3,397	87.7%
Net loss	-2,621	-5,728	54.2%

Higher generation coupled with 3% increase in gas price has primarily led to increase in the revenues. The reduction in Plant O&M expenses has contributed to growth in gross profit. Additionally, a steady reduction in finance cost as compared to Q1 2017 has resulted in lower loss before tax. An increase in corporate income tax rate from 12% to 15% during February 2017 had an adverse impact on financials of Q1 2017 due to recording of one-time additional deferred tax provision for prior years. Finally, the net loss for Q1 2018 was substantially lower than Q1 2017.

The share price was 139 Baizas at the end of March 2018.

Corporate Social Responsibility

The installation of solar power facilities, jointly with few other companies in the power sector is progressing well. The Company has met officials of the various government bodies in the Barka Willayat to discuss and finalise our support to the local community for the year 2018. A final decision in this regard is expected to be taken soon. The Company will strive to serve the community with concerted efforts in the sphere of health, education, sports and social service.

Medium term Outlook

The most important major maintenance exercise for both gas turbines and generators has been successfully completed during 2016 and 2017. During the coming months of 2018, routine maintenance of all major operational equipment is planned as per the recommendation of the manufacturers. All reasonable measures are being taken by the management to maintain high reliability levels in 2018. Consequently, we expect a steady progress in the Company's financial performance.

Acknowledgement

I would like to extend my personal thanks to all personnel associated with the operation of the power plant and the staff of the Company for their hard work and dedication, as well as to those others such as our contractors, whose expertise has assisted us in achieving these excellent results.

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.



Charles Paul Dexter
Chairperson

AL SUWADI POWER COMPANY SAOG

Unaudited condensed interim financial statements

31 March 2018

Registered address:

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

Principal place of business:

Hai Asam
Barka
Sultanate of Oman

AL SUWADI POWER COMPANY SAOG

Unaudited condensed interim financial statements

31 March 2018

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AL SUWADI POWER COMPANY SAOG

Unaudited condensed income statement

for the three month period ended 31 March

	<i>Notes</i>	2018 RO'000s	2017 RO'000s
Revenues		12,127	10,509
Direct costs	3	<u>(11,445)</u>	<u>(9,870)</u>
Gross profit		682	639
General and administrative expenses	4	<u>(238)</u>	<u>(229)</u>
Profit before interest and tax		444	410
Finance costs (net)	5	<u>(2,646)</u>	<u>(2,741)</u>
Loss before tax		(2,202)	(2,331)
Tax expense	6	<u>(419)</u>	<u>(3,397)</u>
Net loss for the period		<u>(2,621)</u>	<u>(5,728)</u>
Earnings per share			
Basic earnings per share (Baizas)	18	<u>(3.67)</u>	<u>(8.02)</u>

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

AL SUWADI POWER COMPANY SAOG**Unaudited condensed statement of profit or loss and other comprehensive income***for the three month period ended 31 March*

	2018	2017
	RO'000s	RO'000s
Net loss for the period	(2,621)	(5,728)
Other comprehensive income, net of income tax:		
<i>Item that will be reclassified to profit or loss</i>		
Cash flow hedges - effective portion of changes in fair value	3,329	456
Total comprehensive income/(loss) for the period	708	(5,272)

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

AL SUWADI POWER COMPANY SAOG

Unaudited condensed statement of financial position

as at

	<i>Notes</i>	31 March 2018 RO'000s	Audited 31 December 2017 RO'000s
Assets			
Non-current assets			
Property, plant and equipment	7	278,987	280,988
Capital spares		413	413
Total non-current assets		279,400	281,401
Current assets			
Trade and other receivables	8	5,122	3,734
Inventory		1,743	1,745
Short term deposit	9	1,770	1,770
Cash and cash equivalents	10	4,900	2,609
Total current assets		13,535	9,858
Total assets		292,935	291,259
Equity and liabilities			
Equity			
Share capital	11(a)	71,441	71,441
Legal reserve	11(b)	4,476	4,476
Retained earnings		9,265	11,886
Shareholders' fund		85,182	87,803
Hedging reserve	11(c)	(2,002)	(5,331)
Total equity		83,180	82,472
Liabilities			
Non-current liabilities			
Term loans	12	162,867	162,566
Derivative instruments		2,366	6,307
Deferred tax liability		16,943	15,933
Asset retirement obligation		254	249
End of service benefits		6	6
Total non-current liabilities		182,436	185,061
Current liabilities			
Term loans	12	15,046	15,046
Trade and other payables	13	8,823	6,680
Short term borrowing		3,450	2,000
Total current liabilities		27,319	23,726
Total liabilities		209,755	208,787
Total equity and liabilities		292,935	291,259
Net assets per share (Baizas)	17	119.23	122.90

The financial statements were approved and authorised for issue in accordance with a resolution of the Board of Directors on 23 April 2018.

Chairperson

Director

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

AL SUWADI POWER COMPANY SAOG

Unaudited condensed statement of cash flows

for the three month period ended 31 March

	<i>Notes</i>	2018	2017
		RO'000s	RO'000s
Cash flows from operating activities:			
Net loss for the period		(2,621)	(5,728)
<i>Adjustments for:</i>			
Depreciation		2,001	2,005
Finance costs (net)		2,646	2,741
Tax expense		419	3,397
		<u>2,445</u>	<u>2,415</u>
Changes in :			
Trade and other receivables		(1,381)	(1,300)
Inventory		2	16
Trade and other payables		1,900	412
Cash generated from operating activities		<u>2,966</u>	<u>1,543</u>
Finance costs paid		(2,126)	(2,205)
Net cash generated from/(used in) operating activities		<u>840</u>	<u>(662)</u>
Cash flows from investing activities:			
Acquisition of property, plant and equipment		(0)	(41)
Acquisition of capital spares		-	(5)
Net cash (used in) investing activities		<u>(0)</u>	<u>(46)</u>
Cash flows from financing activities:			
Proceeds from/(repayment of) short term borrowing - net		1,450	(130)
Interest received		1	-
Net cash generated from /(used in) financing activities		<u>1,451</u>	<u>(130)</u>
Net change in cash and cash equivalents		2,291	(838)
Cash and cash equivalents at beginning of the period	<i>10</i>	2,609	3,682
Cash and cash equivalents at end of the period	<i>10</i>	<u>4,900</u>	<u>2,844</u>

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

AL SUWADI POWER COMPANY SAOG

Unaudited condensed statement of changes in equity

for the three month period ended 31 March

	Share capital RO'000s	Legal reserve RO'000s	Retained earnings RO'000s	Hedging reserve RO'000s	Total RO'000s
Balance at 1 January 2018	71,441	4,476	11,886	(5,331)	82,472
<i>Total comprehensive income for the period</i>					
Net (loss) for the period	-	-	(2,621)	-	(2,621)
<i>Other comprehensive income for the period net of income tax</i>					
Cash flow hedges - effective portion of changes in fair value	-	-	-	3,329	3,329
Total comprehensive income for the period	-	-	(2,621)	3,329	708
Balance at 31 March 2018	71,441	4,476	9,265	(2,002)	83,180
Balance at 1 January 2017	71,441	3,911	12,914	(9,939)	78,327
<i>Total comprehensive loss for the period</i>					
Net (loss) for the period	-	-	(5,728)	-	(5,728)
<i>Other comprehensive income for the period net of income tax</i>					
Cash flow hedges - effective portion of changes in fair value	-	-	-	456	456
Total comprehensive (loss) for the period	-	-	(5,728)	456	(5,272)
Balance at 31 March 2017	71,441	3,911	7,186	(9,483)	73,055

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

AL SUWADI POWER COMPANY SAOG

Notes to the unaudited condensed interim financial statements

1 Legal status and principal activities

Al Suwadi Power Company (the "Company") was registered as a closed Omani Joint Stock company ("SAOC") on 2 August 2010 under the Commercial Companies Law of Oman. Subsequently, the Company was converted to a Public Joint Stock Company ("SAOG") and was listed on the Muscat Securities Market on

The Company's objectives are to develop, finance, design, construct, operate, maintain, insure and own a power generating facility (the Barka 3 Power Plant with a capacity of about 750MW), and associated gas interconnection facilities and other relevant infrastructure; to make available the demonstrated power capacity; and to sell the electrical energy generated to Oman Power and Water Procurement Company SAOC. Accordingly, the Plant is considered and managed as one reportable segment. Commercial Operation of the Plant was achieved by the Company on 4 April 2013.

2 Basis of preparation and significant accounting policies

Basis of preparation

(a) *Statement of compliance*

These condensed interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, applicable requirements of the Oman Commercial Companies Law of 1974 (as amended) ("CCL") and disclosure requirements of the Capital Market Authority of the Sultanate of Oman ("CMA"). Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the last annual financial statements as at and for the year ended 31 December 2017. The condensed interim financial statements do not include all information required for full annual financial statements prepared in accordance with International Financial Reporting Standards (IFRSs).

(b) *Basis of measurement*

These condensed interim financial statements are prepared on historical cost basis except for provision for asset retirement obligation and deferred finance costs which are measured at amortised cost and certain financial instruments which are measured at fair value.

(c) *Use of estimates and judgements*

The preparation of the financial statements in conformity with IFRSs requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in these condensed interim financial statements are same as those that were applied to the financial statements as at and for the year ended 31 December 2017.

(d) *Presentation Currency*

These condensed interim financial statements have been presented in Rial Omani which is the presentation currency, and all values are rounded to the nearest thousand (RO000) except where otherwise stated.

Change in significant accounting policies

The significant accounting policies applied by the Company in these condensed interim financial statements are consistent with those applied by the Company in its financial statements as at and for the year ended 31 December 2017. From 1 January 2018, the Company has adopted IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" and concluded that there is no material impact on these financial statement.

AL SUWADI POWER COMPANY SAOG

Notes to the unaudited condensed interim financial statements

	31 March 2018 RO'000s	31 March 2017 RO'000s
3. Direct costs		
Fuel gas	7,536	5,903
Depreciation (note 7)	2,000	2,002
Operation and maintenance ("O&M") fees (note 14)	1,677	1,612
Insurance	127	123
Grid connection fee	51	54
Fuel oil	2	16
Other O&M expenses	52	160
	11,445	9,870
4. General and administrative expenses		
Public company related costs	79	79
Secondment fees (note 14)	61	61
Employment costs	32	34
Agency fees	13	12
Office rent	5	6
Directors' sitting fees (note 14)	5	4
Depreciation (note 7)	1	3
Other general and administrative expenses	42	30
	238	229
5. Finance costs (net)		
Interest on term loans	1,802	1,569
Swap interest	512	819
Amortisation of deferred finance costs	301	325
Interest on working capital	25	11
Debt Service Reserve Account ("DSRA") LC cost (note 14)	23	24
Exchange loss	6	6
Asset retirement obligation - unwinding of discount	5	13
Interest income	(8)	(6)
Ineffective portion of interest rate hedge	(20)	(20)
	2,646	2,741
6. Tax expense		

In 2017, the Royal Decree 9/2017 was issued on 19 February 2017 and published in the official gazette on 26 February 2017 amending certain provisions of the Income Tax Law 28/2009, including increase in corporate income tax rate from 12% to 15%. Accordingly, the effect of increase in tax rate on prior years was incorporated in comparative financial statements.

AL SUWADI POWER COMPANY SAOG

Notes to the unaudited condensed interim financial statements

7. Property, plant and equipment

	Property, plant and equipment RO'000s	Technical Spares RO'000s	Other assets RO'000s	Total RO'000s
Cost				
1 January 2018	317,897	1,717	93	319,707
Addition during the period	0	-	-	0
Disposal during the period	-	-	(1)	(1)
31 March 2018	317,897	1,717	92	319,706
Depreciation				
1 January 2018	38,357	276	86	38,719
Charge during the period	1,983	17	1	2,001
Disposal during the period	-	-	(1)	(1)
31 March 2018	40,340	293	86	40,719
Carrying amount				
31 March 2018	277,557	1,424	6	278,987
31 December 2017	279,540	1,441	7	280,988

Audited
31 March 2018
RO'000s

31 December 2017
RO'000s

8. Trade and other receivables

Trade receivables	4,851	2,737
Due from a related party (note 14)	11	33
Prepayments	118	237
Other receivables and accrued income	142	727
	5,122	3,734

9. Short term deposit

As per the CTA, the Company is required to maintain a Debt Service Provisioning Account (øDSPAO) 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 in the DSPA cannot be utilized for any purpose other than servicing the loan instalments and interest and is as such restricted cash. The amount in the DSPA has been put into a short term deposit maturing on 27 April 2018.

10. Cash and cash equivalents

Cash in hand	0	1
Cash at bank	4,900	2,608
	4,900	2,609

Cash at bank includes RO 4,000 (31 December 2017: RO 4,000) as margin money towards a bank guarantee.

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Notes to the unaudited condensed interim financial statements

11. Equity

(a) Share capital

The details of the shareholders are as follows:

	Nationality	No. of shares held of nominal value 100 Bzs. each	% of total	Aggregate nominal value of shares held RO '000
31 March 2018				
Kahrabel FZE	UAE	213,607,492	29.90%	21,361
Multitech LLC	Omani	102,160,110	14.30%	10,216
Civil Service Employees Pension Fund	Omani	76,858,091	10.76%	7,686
SEP International Netherlands B.V.	Netherlands	51,080,055	7.15%	5,108
Blue Horizon Barka Power B.V.	Netherlands	51,080,055	7.15%	5,108
Public Authority for Social Insurance	Omani	47,560,197	6.66%	4,756
Ministry of Defence Pension Fund	Omani	46,149,064	6.46%	4,615
Shareholders with less than 5% shareholding		125,911,276	17.62%	12,591
		714,406,340	100.00%	71,441

31 December 2017

Kahrabel FZE	UAE	213,607,492	29.90%	21,361
Multitech LLC	Omani	102,160,110	14.30%	10,216
Civil Service Employees Pension Fund	Omani	76,858,091	10.76%	7,686
SEP International Netherlands B.V.	Netherlands	51,080,055	7.15%	5,108
Blue Horizon Barka Power B.V.	Netherlands	51,080,055	7.15%	5,108
Public Authority for Social Insurance	Omani	47,560,197	6.66%	4,756
Ministry of Defence Pension Fund	Omani	46,149,064	6.46%	4,615
Shareholders with less than 5% shareholding		125,911,276	17.62%	12,591
		714,406,340	100.00%	71,441

The Company has authorized, issued and paid-up share capital of RO 71,440,634 consisting of 714,406,340 shares of RO 0.1 each (31 December 2017: RO 71,440,634 consisting of 714,406,340 shares of RO 0.1 each).

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All shares 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 Company's net profit is 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

	31 March 2018 RO'000s	Audited 31 December 2017 RO'000s
12. Term loans		
Term loans	183,915	183,915
Less: current portion	(15,046)	(15,046)
Non-current portion	168,869	168,869
Less: unamortised transaction cost	(6,002)	(6,303)
	162,867	162,566

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 a local bank, with Credit Agricole Corporate & Investment Bank as the Global Facility Agent, Offshore Security Trustee, Offshore Account Bank, KEXIM Facility Agent and Commercial Facility Agent; with Bank Muscat SAOG as Onshore Security Agent and Onshore Account Bank; and with KfW IPEX - Bank GmbH as the Hermes Facility Agent.

At 31 March 2018 and 31 December 2017, the outstanding amounts were as follows:

Hermes Covered Variable Facility	51,794	51,794
Commercial Facility	43,995	43,995
KEXIM Direct Facility	36,913	36,913
Hermes Covered Fixed Facility	31,874	31,874
KEXIM Covered Facility	19,339	19,339
	183,915	183,915

13. Trade and other payables

Fuel gas payable and accrual	5,593	3,882
Accrued finance cost	1,841	1,622
Due to related parties (note 14)	1,046	769
Trade payables	1	2
Other payables and accruals	342	405
	8,823	6,680

14. Related party transactions

Related parties comprise the shareholders, directors, key management personnel, business entities that have the ability to control or exercise significant influence over financial and operating decisions of the Company and entities over which certain shareholders are able to exercise significant influence. Prices and terms of these transactions, which are entered into in the normal course of business, are on mutually agreed terms and conditions.

Key management benefits

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 three month period ended are as follows:

	31 March 2018 RO'000s	31 March 2017 RO'000s
Key management benefits	75	74

AL SUWADI POWER COMPANY SAOG

Notes to the unaudited condensed interim financial statements

14. Related party transactions (continued)

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

	31 March 2018 RO '000s	31 March 2017 RO '000s
Suez-Tractebel Operation & Maintenance Oman LLC	1,683	1,735
Kahrabel Operations & Maintenance (Oman) LLC	79	77
Al Batinah Power Company SAOG	48	46
ENGIE S.A.	10	11
International Power SA Dubai Branch	10	10
Laborelec Middle East	6	-
Multitech LLC	5	5
Directors'	5	4
Sojitz Corporation	3	3
Shikoku Electric Power Co., Inc.	3	3
Public Authority for Social Insurance	2	2
	1,854	1,896

The nature of the above transactions is as follows:

Operation and maintenance ("O&M") fees (note 3)	1,677	1,612
Secondment fees (note 4)	61	61
Sharing of costs	48	46
DSRA LC cost (note 5)	23	24
Backcharge of expenses	18	16
Professional fees	10	10
Technical services	6	-
Directors' sitting fees (note 4)	5	4
Custom duties	4	7
Other O&M expenses	2	116
	1,854	1,896

	31 March 2018 RO '000s	Audited 31 December 2017 RO '000s
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Balances due to related parties comprised:

Suez-Tractebel Operation & Maintenance Oman LLC	941	728
Kahrabel Operations & Maintenance (Oman) LLC	41	0
ENGIE S.A.	18	7
Laborelec Middle East	14	7
International Power SA Dubai Branch	12	3
Multitech LLC	8	3
Public Authority for Social Insurance	4	2
Shikoku Electric Power Co., Inc.	4	2
Sojitz Corporation	4	2
Directors'	-	15
	1,046	769

Balance due from a related party comprised:

Al Batinah Power Company SAOG	11	33
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AL SUWADI POWER COMPANY SAOG

Notes to the unaudited condensed interim financial statements

15. Financial risk management

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 31 December 2017.

16. Commitments

- a) Operation and maintenance commitments and land lease commitments are consistent with those disclosed in the financial statements as at and for the year ended 31 December 2017 as reduced by amounts accounted for during the three month period ended 31 March 2018.
- b) The Company has placed purchase orders for RO 45,381 which are outstanding as at 31 March 2018 (RO 14,549 as at 31 December 2017).

17. 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/year.

	31 March 2018	Audited 31 December 2017
Net assets - shareholder funds (RO'000s)	85,182	87,803
Weighted average number of shares outstanding during the period/year ('000s)	714,410	714,410
Net asset per share (Baizas)	119.23	122.90

The management believes that the hedging deficit of RO 2.002 million as at 31 March 2018 (RO 5.331 million as at 31 December 2017) represents the loss which the Company would incur, if it opts to terminate its swap agreements on this date. However, under the terms of its financing agreements, the Company is not permitted to terminate the swap agreements. Accordingly the hedging deficit has been excluded from the Shareholder Funds.

18. Basic earnings per share

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

	31 March 2018	31 March 2017
Net loss for the period (RO'000s)	(2,621)	(5,728)
Weighted average number of shares outstanding during the period ('000s)	714,410	714,410
Basic earnings per share (Baizas)	(3.67)	(8.02)

19. Comparative figures

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