



**PHOENIX POWER
COMPANY(SAOG)**

Dear Shareholders,

On behalf of the Board of Directors of Phoenix Power Company SAOG (“PPC” or the “Company”), I have the pleasure to present the Directors` Report together with the unaudited financial statements of the Company for the six month period ended 30th June 2016.

Health, Safety and Environment (HSE)

The health and safety performance to date has been excellent, with no Lost Time Accidents (LTAs). The Operations and Maintenance Contractor (“POMCo”) has completed 568 days without a Lost Time Accident since commercial operation of the power plant commenced. Similarly there have been no environmental incidents.

Operations

During the first six months of 2016, the Company has achieved a good level of operational performance with the Sur Power Plant demonstrating a commercial availability of 98.28%, the key parameter to be considered when assessing the revenues generated during the period. This is comparable with the similar period of 2015 (98.3%) and remains in line with Company expectation.

The net power exported during the first six months of 2016 was 2138 GWhrs compared with 2182 GWhrs during the same period in 2015..

Financial Results

The Company generated a net profit of RO 4.5 million for the first six months of 2016. Net revenues for the period were RO 50.8 million and costs were RO 31.9 million, the largest of which is the purchase of fuel gas for the power plant. The financials results of the first six months of 2016 compare favorably with the first six months of the previous year, 2015, where the net profit was RO 3.2 million. This is mainly due to lower utilization of the planned scheduled outage allowance under the PPA during the first three months of the year and lower interest costs related to the senior loans for the project.

The share price of PPC was 160 Baizas at the close of the first six months of the year.

Corporate Governance

Actions have been implemented to ensure compliance with the new Code of Corporate Governance which comes into effect on 22nd July. Significant effort continues to be placed on policy and process review to ensure the highest standards of corporate governance in compliance with local regulatory requirements as well as with international best practices.

Future Outlook

All reasonable and prudent measures will be taken by the Management of the Company to ensure high standards of health, safety, environmental compliance reliability and availability are maintained over the remaining months of 2016.



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Whilst the Claim from the Contractor for the Early Power period has been settled at the end of 2015, the Claim related to Final Power remains under discussion.

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.

Neil Cave
Deputy Chairman of the Board