



Chairman's (Board of Directors') Report

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 Annual Report of the Company for the year ended 31 December 2015.

The Company, incorporated in 2011, owns and operates the 2000 MW Sur Independent Power Plant ("the Plant"), located in the Sur industrial area, approximately 175km south-east of Muscat. Phoenix Power currently generates its revenues pursuant to a 15-year term Power Purchase Agreement ("PPA") with Oman Power and Water Procurement Company SAOC ("OPWP") and purchases gas from the Ministry of Oil and Gas ("MoG") under a 15-year Natural Gas Supply Agreement ("NGSA"). The operations and maintenance of the plant is subcontracted to Phoenix Operations and Maintenance Company LLC ("POMCo" or "the Operator") under a 15-year Operations and Maintenance Agreement.

The Plant has been in commercial operation since 11 December 2014, thus 2015 represents the first full year of operation. During the year, the Health, Safety and Environmental performance has been excellent with no Lost Time Accidents ("LTA") or environmental incidents occurring. The health, safety, environmental and quality processes of both the Company and the Operator were carefully audited by an independent third party resulting, in December 2015, in the successful accreditation to OHSAS 18001, ISO 14001 and ISO 9001 standards.

Corporate Governance

During 2015, important changes to the Company structure took place. Further to a request made by the Capital Markets Authority ("CMA"), the shareholders of the Company approved, during the Extraordinary General Meeting (the "EGM") held on 16 April 2015, a split of the nominal value of the Company's shares from RO 1 per share to Bzs 100 per share.

In March 2015, the shareholders approved the offering of 35% of the issued share capital of the Company to the public. Consequently the Company launched its Initial Public Offering ("IPO") which was completed successfully in June 2015 with a listing on the Muscat Securities Market ("MSM").

Significant time and effort has been given to reviewing corporate structures, policies and processes in line with the new SAOG status in order to ensure the highest standards of corporate governance in compliance with local regulatory requirements as well as with international principles and best practice. This work will continue during 2016.



Operations

During the year 2015, the Company has achieved an excellent operational performance with the Sur Power Plant demonstrating a commercial availability of 98.07%, the key parameter to be considered when assessing the revenues generated during the period.

The Plant dispatched an aggregated net power volume of 4390 GWhrs.

Financial Results

The Company generated a net profit of RO 28.77 million for the year 2015. Net revenues for the year were RO 101.87 million and costs were RO 65.09 million, the largest of which is the purchase of fuel gas for the power plant. It should be noted that the financial results of 2015 are not comparable with the previous year, 2014, as the Company has only commenced commercial operations from 11 December 2014.

The Company paid a dividend of Bzs 1.7 per share in 2015.

Future Outlook

All reasonable measures will be taken by the management of the Company to ensure that the high standards of health, safety, environmental compliance, reliability and availability achieved in 2015 are maintained.

Regarding the Claims position with the EPC Contractor, Daewoo Engineering & Construction ("DEC" or "Daewoo" or the "EPC Contractor"), on 21 December 2015, PPC and the EPC Contractor agreed to settle the Early Power Dispute. The Final Power Dispute has also been the subject of a contractual claim from the EPC Contractor and this continues to be evaluated.

In Conclusion

As Chairman of the Board, I would like to thank our shareholders, not only for their confidence, but also for their continued support and for the expertise they bring to the Company. On behalf of the Board of Directors, I express my gratitude to OPWP, the Authority for Electricity Regulation ("AER"), the CMA and other governmental and non-governmental bodies for their guidance and support. I also give thanks to the operations and maintenance staff in the power plant as well as the employees of the Company for their dedication and commitment during 2015. Thanks to their contribution, the Company was able to achieve its goals and objectives.



**PHOENIX POWER
COMPANY(SAOG)**

A special word of gratitude is also expressed to the Public Authority for Electricity and Water (“PAEW”) for their support during the organization of the official inauguration of the Plant by H.H Hamed bin Thuwaini Al Saeed which took place on 27 April 2015.

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.

Khalid Jolo

Chairman of the Board