



**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 three month period ended 31st March 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 477 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 three months of 2016, the Company has achieved an excellent operational performance with the Sur Power Plant demonstrating a commercial availability of 99.35%, the key parameter to be considered when assessing the revenues generated during the period. This represents a slight reduction when compared with the similar period of 2015 (99.9%) but remains in line with Company expectation.

The winter period has been used effectively to carry out planned maintenance on the key equipment of the power plant, including inspections on the gas turbines, in order to ensure readiness for the summer season.

The net power exported during the first three months of 2016 was 550 GWhrs compared with 766 GWhrs during the same period in 2015. This reflects the slightly cooler weather conditions and a lower overall demand.

Financial Results

The Company generated a net profit (loss) of (RO 5.6 million) for the first three months of 2016. The first quarter of the year is loss generating as the winter seasonal weighting factor is applied under the Power Purchase Agreement. The loss generated during the first three months of the year is in line with expectations. Net revenues for the period were RO 13.4 million and costs were RO 11.7 million, the largest of which is the purchase of fuel gas for the power plant. The financials results of the first three months of 2016 compare favorably with the first three months of the previous year, 2015, where the net profit (loss) was (RO 6.7 million). This is mainly due to lower utilization of the planned scheduled outage allowance under the PPA and lower costs as a result of lower generation.

The share price of PPC was 144 Baizas at the close of the first three months of the year.

Corporate Governance

Measures are well underway 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



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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.

Whilst the Claim from the Contractor for the Early Power period has been settled, the Claim related to Final Power, tabled on the basis of grid restrictions, is currently under review and it is anticipated that this will be passed through to OPWP during April as per PPCs obligations under the EPC Contract.

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.

Khalid Jolo
Chairman of the Board