



**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 30<sup>th</sup> June 2019.

**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 1633 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 2019, the Company has achieved a good level of operational performance with the Sur Power Plant demonstrating a commercial availability of 98.80%, the key parameter to be considered when assessing the revenues generated during the period. Whilst this is a slight deterioration on the similar period of 2018 (99.76%) the achievement remains in line with Company expectation.

The net power exported during the first six months of 2019 was 3475 GWhrs compared with 3507 GWhrs during the same period in 2018, reflecting lower dispatch by the Oman Power & Water Procurement Company SAOC ("OPWP" or the "Buyer").

**Financial Results**

The Company generated a net profit of RO 6.94 million for the six months of 2019. Net revenues for the period were RO 62.20 million and costs were RO 36.49 million, the largest of which is the purchase of fuel gas for the power plant. The financial results of the first six months of 2019 compare favorably with the first six months of the previous year, 2018, where the net profit was RO 6.40 million. This is mainly due to reimbursement of withholding tax claim from OPWP, and lower interest costs as a consequence of the progress of loan repayments.

The share price of PPC was 83 Baizas at the close of the first six months of the year.

**Corporate Governance**

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.



### **Corporate Social Responsibility**

The Company continues to support as part of its commitment to Corporate Social Responsibility (CSR) in the areas of health and safety, welfare and education, particularly in the local Sur community and in line with the CSR plan and budget for 2019.

### **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 six months of 2019.

The Management of the Company have successfully progressed recovery of costs from the Buyer under the PPA, resulting from the changes in the Tax laws as per Royal Decree 9/2017. The Buyer has paid all outstanding costs covering years 2017 & 2018, resulting in the Company achieving a neutral position on tax law changes covered under the Royal Decree.

Finally, on behalf of the Board of Directors, I would like to extend our deep appreciation and gratitude to the visionary leader, His Majesty Sultan Qaboos Bin Said and His Government for their support and co-operation extended to Phoenix Power in achieving its highest goals.

  
Peter Jones  
Deputy Chairman of the Board