



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 2019.

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 Sales Agreement (“NGSA”). The operations and maintenance of the plant is subcontracted to Phoenix Operation and Maintenance Company LLC (“POMCo” or “the Operator”) under a 15-year Operation and Maintenance Agreement.

Health, Safety and Environment

Ensuring high standards of Health, Safety and Environmental performance continues to be given a high priority by the Company and its Operator, POMCo, and during the year no Lost Time Accidents (“LTA”) or environmental incidents occurred. As at 31 December 2019, the Company has achieved 1847 days without a LTA. As part of an annual review process, the health, safety, environmental and quality processes of both the Company and the Operator were carefully audited by an independent third party and both businesses retained accreditation to ISO 14001 and ISO 9001 standards. In addition, both businesses successfully transitioned and were accredited to the new international health and safety standard, ISO 45001, demonstrating a continued commitment to health & safety performance and improvement. For the third consecutive year, both PPC and POMCo were also recognised by the UK’s Royal Society for the Prevention of Accidents (RoSPA) with a gold award in 2019.

Corporate Governance

PPC has a comprehensive system of internal controls in place with clear structures, delegated authority levels and accountability.

During 2019, the Company continued to carry out a review of key internal policies and procedures in order to ensure highest standards of corporate governance and to ensure compliance with the Code of Corporate Governance as issued by the Capital Market Authority. Through the Audit

Committee, the Board has implemented a programme of internal audits of different aspects of the Company’s business to monitor compliance and drive best practice.



The Corporate Code of Governance also requires to appoint an independent third party to carry out an assessment of the Internal Audit Unit. The Board appointed MGI Vision to carry out this assessment and a summary of their findings has been included in the Corporate Governance Report.

Operations

During the year 2019, I am pleased to report that the Company has achieved an excellent operational performance with the Sur Power Plant demonstrating a commercial availability of 99.27%, the key parameter to be considered when assessing the revenues generated during the period. This figure includes the impact of two Force Majeure events that incurred a 0.3% loss of availability that are outwith the Company's control, and compares to a commercial availability of 99.70% in 2018.

The Plant dispatched an aggregated net power volume of 7939.13 GWhrs (a decrease of 6.5% on the 8453.80 GWhrs dispatched in 2018) which represents a load factor of 45.56% when averaged over the year (compared to a load factor of 48.56% in 2018).

Financial Results

The company generated revenues of RO 132.96 million in 2019 which were lower than the RO 134.59 million generated in 2018 mainly due to lower dispatch. Costs in 2019 were RO 96.73 million which were lower than the RO 98.70 million spent in 2018 mainly due to lower dispatch resulting in reduced fuel costs.

The Net Profit of the Company was RO 14.51 million in 2019 which was higher than RO 12.92 million earned in 2018 mainly due to lower finance costs.

The Company paid a dividend of Bzs 3.75 per share in 2019 compared to Bzs 5.0 per share in 2018.

The share price ended the year at Bzs 66.

Corporate Social Responsibility

The Company fully recognizes its role as a responsible corporate citizen with support focusing on the local community at Sur in the areas of education, health & safety and environmental care. During 2019, the Company provided RO 30,000 of funding, support and sponsorship to various community causes. These included provision of new equipment to local schools in Sur, contributions to the local Royal Oman Police ("ROP") traffic safety campaign, furnishing a training center at the Sur Ministry of Health as well as supporting environmental improvement initiatives, such as support to the Ministry of Environment campaign to return lost turtles to protected areas at Ras Al Had.

People and Employment

In 2019 the Commercial Manager Mr. Khalid Al Maawali commenced a secondment to the O&M Company, POMCo as part of the Company's commitment to the development of Omani personnel. He was replaced by Mr. Yaarub Al Naabi in October. The Company is committed to the ongoing development of Omani personnel and the Omanisation level at the end of 2019 is 77%.

Future Outlook

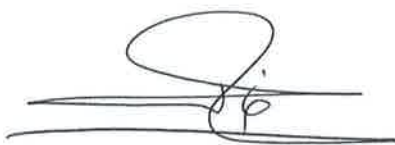
All reasonable measures will be taken by the management of the Company to ensure that the high standards of health, safety, environmental compliance, reliability and availability achieved in 2019 are maintained.

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 2019. Thanks to their contribution, the Company was able to achieve its goals and objectives.

Finally, on behalf of the Board of Directors, I would like to extend our deep and sincere condolences to the people of Oman due to the passing of His Majesty Sultan Qaboos bin Said Al Said in 2019. His legacy to the Sultanate and the region will forever be remembered.

I would also like to extend our congratulations to His Majesty Sultan Haitham bin Tariq Al Said for his accession to the throne and our deep appreciation to his Government for their support and encouragement given to the private sector. Continuing to promote an environment dedicated to achieving the building of a strong nation allows us to participate effectively in the growth of the Sultanate's economy.

A handwritten signature in black ink, appearing to be "Khalid Jolo", written over a horizontal line.

Khalid Jolo

Chairman of the Board