



**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 2018.

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 1207 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 2018, the Company has achieved an excellent level of operational performance with the Sur Power Plant demonstrating a commercial availability of 99.97%, the key parameter to be considered when assessing the revenues generated during the period. This is an improvement on the similar period of 2017 (98.90%) and remains in line with Company expectation.

The net power exported during the first three months of 2018 was 995 GWhrs compared with 1314 GWhrs during the same period in 2017, reflecting lower dispatch by the Oman Power & Water Procurement Company SAOC (“OPWP” or the “Buyer”).

Financial Results

The Company generated a net loss of RO (5.5) million for the three months of 2018. Net revenues for the period were RO 16.0 million and costs were RO 15.82 million, the largest of which is the purchase of fuel gas for the power plant. The financial results of the first three months of 2018 compare favorably with the first three months of the previous year, 2017, where the net loss was RO (11.99) million. This is mainly due to recognition of a deferred tax liability of RO 5.2 million for the prior years in the same period of 2017 as a consequence of the rate increase in corporate income tax through Royal Decree 9/2017 which was effective from 1st January 2017.

The share price of PPC was 139 Baizas at the close of the first three months of the year.

Corporate Governance

The Company AGM was held on 19th March in Muscat.

During the AGM, approval was given to allow MGI-Vision to carry out an appraisal of the performance of the Board of directors for the year 2018.

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.



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Corporate Social Responsibility

During the AGM held on 19th March, the shareholders approved the Company's CSR plan and budget for 2018, allowing the Company to continue to support the community, particularly in Sur.

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 2018.

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.

Khalid Jolo
Chairman of the Board