

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 nine month period ended 30th September 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 1390 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 nine months of 2018, the Company has achieved a good level of operational performance with the Sur Power Plant demonstrating a commercial availability of 99.68%, the key parameter to be considered when assessing the revenues generated during the period. This is an improvement on the similar period of 2017 (99.22%) and remains in line with Company expectation.

The net power exported during the first nine months of 2018 was 6268 GWhrs compared with 6304 GWhrs during the same period in 2017, reflecting lower dispatch by the Oman Power & Water Procurement Company SAOC (“OPWP” or the “Buyer”) in the first 3 months of 2018.

Financial Results

The Company generated a net Profit of RO 18.77 million for the nine months of 2018. Net revenues for the period were RO 109.23 million and costs were RO 73.36 million, the largest of which is the purchase of fuel gas for the power plant. The financial results of the first nine months of 2018 compare favourably with the first nine months of the previous year, 2017, where the net profit was RO 16.18 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 115 Baizas at the close of the first nine 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.



**PHOENIX POWER
COMPANY(SAOG)**

Corporate Social Responsibility

The Company continues to support 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 2018.

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 three months of 2018.

The Management of the Company have 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 confirmed in principle that costs will be recovered resulting in a positive impact on Company's profit and loss statement for 2018 and onwards.

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