

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 30th June 2015.

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 201 days without a Lost Time Accident at the end of June 2015. Similarly there have been no environmental incidents.

Operations

During the first half of 2015, the Company has achieved an excellent operational performance with the Sur Power Plant demonstrating a commercial availability of 98.3%, the key parameter to be considered when assessing the revenues generated during the period.

The net power exported during the first 6 months of 2015 was 2182 GWhrs.

Financial Results

The Company generated a net profit of RO 3.19 million for the first 6 months of 2015. Net revenues for the period were RO 52.2 million and costs were RO 33.2 million, the largest of which is the purchase of fuel gas for the power plant. It should be noted that the financial results of the first six months of 2015 are not comparable with the first six months of the previous year, 2014, as the Company only commenced commercial operations from 11th December 2014.

The share price of PPC was 149 Baizas at the close of the first half of the year.

Corporate Governance

Given the recent conversion of the Company to SAOG status, significant effort is being 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.

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 2015.

The Claims from the EPC Contractor have not been concluded and whilst the position remains uncertain, PPC continues to assume a neutral financial position.

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

