



## BOARD OF DIRECTORS' REPORT

Dear Shareholders,

On behalf of the Board of Directors of United Power Company SAOG ("UPC" or the "Company"), I am glad to present you with the Fourteenth Annual Report of the Company for the year ended 31 December 2008.

The Company owns the Power Generating Station of Manah under a BOOT (build, own, operate and transfer) scheme, and Interconnection and Transmission Facilities under a BOT (build own and transfer) scheme, for a term of twenty years. All power produced is sold to Oman Power and Water Procurement Company SAOC under a long term Power Purchase Agreement, guaranteed by the Government of Oman. As such, the Company is not subject to market competition or fluctuation.

The Manah Power Plant has been running smoothly and efficiently, and there is no particular event worthwhile to mention. The 5 generator sets of the project showed an exceptional reliability, and the performances expected for such high-technology machines.

The Company recorded in 2008, a net profit of Rials Omani 2.438 million. The underlying revenues and costs are in line with the plan and the variation in revenue reflects the agreed tariff structure in PPA of generation and transmission facilities for Phase 1. The Directors of the Company have recommended a final ordinary dividend of Rials Omani 2.267 million, which represents the total ordinary dividend for the year to 10% of the current share capital of the Company.

The Company also carried out in December 2008, capital reduction of 10% of the original capital as a consequence to the structured plan of capital reduction approved by the market regulators and the shareholders in the annual general meeting of 2006.

Due to the definitive life of the project and its purpose, it is the policy of the company to maximize distributing its available profits and in the years where profits are low, it distributes its funds not required for operations by way of well structured plan of capital reduction. Five past years' distribution to shareholders, are disclosed separately under 'Financial Highlights' section of the Annual Report.

UPC complies and maintains high standards to the Code of Corporate Governance implemented by the Capital Market Authority as described in the related attached section of this report. In this respect, the Company respects the guidelines on dividend policy and we are committed to the objectives underlying such guidelines.

In the light of the international financial crisis, the Board considered appropriate to repay all its international loan funding. Local bank financing was secured in December to that end, and actual repayment of international loans is scheduled for January 2009.

During the year Mr. Arnaud de Limburg Stirum was appointed as CEO of the Company in place of Mr. Frederic Henning. On behalf of the Board, I would like to thank Mr. Henning for his contribution to the Company growth over the last 4 years. Besides this replacement there was no other change in the management team.

The Company is a responsible corporate citizen and contributes to the activities of local municipalities and communities. During the year, the company made contribution to the Manah Municipality of OMR 5,000. Subsequent to year end the Company associated itself with pride to Oman Football Team who won the GCC 19th Football Tournament, by offering an amount of OMR 25,000 to the victorious team.

I would like to thank all the personnel associated with the operation of our Manah Power Plant and staff of the Company for their dedication and hard work.

On behalf of the Board of Directors, I would also like to take this opportunity to extend our gratitude to His Majesty Sultan Qaboos Bin Said and His Government for their continued support and encouragement to the private sector. May Allah protect them for all of us.

**Murtadha Ahmed Sultan**  
Chairman of the Board