

Board of Directors' Report

Dear Shareholders,

On behalf of the Board of Directors of United Power Company SAOG (UPC), I am glad to present you with the Ninth Annual Report of the Company for the year ended 31 December 2003.

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 were operated without problem and showed the reliability and performances expected for such high-technology machines.

The Plant's operation and maintenance was efficiently performed by our contractor Sogex (Oman); the long-term service agreement signed with General Electric (GE), the supplier of all our gas turbines, showed also to be efficient and cost-effective.

The Company recorded in 2003, a net profit of Rials Omani 5.328 million. The underlying revenues and costs are in line with the plan and reflect the decreasing schedule of the Phase I and ITF Capacity Charge. The Directors of the Company have, therefore, recommended a final ordinary dividend of Rials Omani 2.267 million, which brings the total ordinary dividend for the year to 13% of the current share capital of

the Company.

The shares held by Tawoos LLC have been transferred to the Ministry of Defence Pension Fund, and I welcome the participation in UPC of this prominent institution.

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.

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

