

## CHAIRMAN'S REPORT 1999

Dear Shareholders,

On behalf of the Board of Director of United Power Company S.A.O.G., I am glad to present you with the fifth Annual Report of the company, for the year ended 31 December 1999.

From an operational perspective, 1999 was in many ways similar to 1998. The three units operated very reliably throughout the year and there were no significant incident to report. The overhead lines and substations owned by the company and operated by MEW did not experience any problems that necessitated the Company intervention.

The Company satisfied all the dispatch orders from MEW and met all its other obligations under the "Power Purchase Agreement". The Company derived revenues in accordance with the long term tariff agreement with the Ministry of Electricity and Water (the "Power Purchase Agreement"). No penalties were levied and all operating costs were within budget. As a result, the Company recorded in 1999 a net profit of Rial Omani 8.039 million which is entirely according to plan.

It is to be noted that the tariff agreement provides for the highest cash flows in the early years of the concession period.

However, 1999 was far from being an ordinary year for UPC. The company secured an agreement with the Government for 180 MW extension to the plant, started construction on a fast track schedule and raised the necessary additional financing from international banks. As I am addressing you, the plant is about to achieve commercial operation on schedule, the company has closed its right issue shares and all necessary funds for the project have been secured. The extension will start generating revenues in May, only fourteen months after the Company received its letter of intent.

The Directors of the Company have recommended a final dividend of Rial Omani 3.404 million, which brings the total dividend for the year to 17.84% of the enhanced company share capital after the right issue.

I would like to thank all the personnel associated with the operation of our Manah Power Plant and the construction of the extension, 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, for his continued support and encouragement to the private sector. May Allah protect him for all of us.

Murtadha Ahmed Sultan  
Chairman of the Board