

# Chairman's Report 1998

Dear Shareholders,

On behalf of the Board of Directors of your Company, I present you with the fourth Annual Report of United Power Company (SAOG) for the year ended 31 December 1998.

In 1998, your Company recorded a net profit of R.O. 7.207 Million. This is in line with the revenues derived by the Company in accordance with the long-term tariff agreement with the Ministry of Electricity and Water, (the "Power Purchase Agreement") which provides for the highest cash flows of the concession period during first years of this period. The plant performance exceeded the requirements of the Agreement and no penalties were levied.

Your Company has satisfied all dispatch orders from the MEW which lead to a net yearly export from the plant of 661 GWh. This exceeds the demand of the Dakhliya region and represents 7.5% of the total electricity consumption in Oman or 12% of the consumption in the Muscat system.

The three units operated very reliably throughout the year with no significant incident to report. The forced outage downtime for the plant was a mere 17 hours in 1998. Similarly, there was no significant incident reported relating to the overhead lines or the substations belonging to your Company.

The Omanisation progress is continuing on target, Omanisation of your Company has now reached 31.8% which met the scheduled requirements under the agreement.

Your Company has held intensive discussions with the Ministry of Electricity of Water regarding a possible extension to the Plant and the transmission network. We are pleased to announce that MEW has recently accepted our offer for extension to the Plant.

All claims with the contractors have been finally settled.

Your Company's directors have recommended a final ordinary cash dividend of R.O. 2,790,244, bringing the total dividend for the year to 21% of the Company's share capital.

In concluding this report, I would like to thank all the personnel associated with the operation of the Manah Power Plant, for their dedication without which these results would not have been possible.

On behalf of the Board of Directors, I would 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. Under His enlightened leadership, this nation has achieved unprecedented prosperity and progress. May Allah protect him for all of us.

Murtadha Ahmed Sultan  
Chairman of the Board