



CHAIRMAN'S REPORT

Dear Shareholders,

On behalf of the Board of Directors, I have the pleasure in welcoming you to the first Annual General Meeting and to present to you a brief report on the company's performance in the year ended December 31, 1995.

Undoubtedly, during the past quarter century, and since His Majesty Sultan Qaboos took over the reign of the country, Oman enjoyed an air of total stability, thus creating suitable economic climate for attracting foreign and local investment and directing them, particularly towards privatization projects, the benefits and advantages of which were realised by his Majesty's government which benefitted from the experiences of several countries in the field of privatization. Accordingly, it had adopted the policies and mechanisms aimed at developing this experience. These policies and mechanisms are clearly reflected in Oman's futuristic economic vision upto the year 2020.

We firmly believe that opting privatization as the best option for the launching of the private sector to play its leading role in the country's economic development was a true step and this conviction is the result of self experience in what has been realized by our company in translating the first privatization project in the Sultanate as well as in the G.C.C. countries, to a reality, setup by itself within a short period of only a few months, despite difficulties resulting out of our project being the first to apply Oman's investment incentives on it. However, co-operation of concerned government entities with the company's management helped in overcoming most of the difficulties.

In the course of this report and briefly we can assure you that we have successfully completed the trial commissioning on two of the three gas fired turbines. The third turbine will be test operated in the second half of May 1996, once its technical construction works are completed. Meanwhile, the substation shall be also subjected, in the current phase, to test operation, thus enabling the company to commence partial commercial commissioning of the station in the beginning of the second half of May 1996, as scheduled by the Agreement with MEW. By this power shall be supplied, in phases, to the Interior Region's wilayats where there is an increasing demand for electricity, particularly in this time of the year.

This positive development in commencing power generation will enable us to confirm that the two-year construction period as prescribed in the public issue prospectus, during which period there will be no profit for distribution, will be shortened and the expected test commissioning of the Manah station will be completed, and thereby we expect profit distribution against this period.

As far as the company's future expectation are concerned, we hope that we can reach an agreement with the concerned Ministry for expanding the Manah Power Station Project, which will have an effect on increasing returns from the company's investments.

Finally, the Board of Directors is pleased to place on records its appreciation for the excellent efforts exerted and being exerted by various staff of the company which led to bring this project to light.

On behalf of the members of the Board of Directors and all members of the company's staff express their gratitude to His Majesty Sultan Qaboos bin Said and his Government for the assistance and encouragement given to the company for its public utility developmental project. We also express our gratitude for your continued support and valuable confidence in us.

Shabib Bin Taimur Al Said