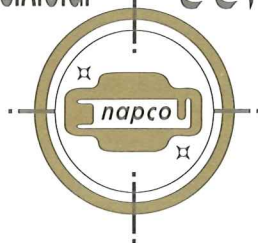


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## **BOARD OF DIRECTORS REPORT** **FOR THE YEAR ENDED 31 DECEMBER 2018**

Dear Shareholders,

On behalf of the Board of Directors of National Aluminium Products Company SAOG (NAPCO), it gives me great pleasure to present to you the Annual Report containing the audited financial statements for the year ended 31 December 2018 and an overview of the performance of the Company.

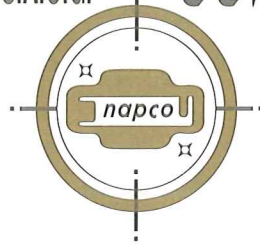
### **Global economic environment**

Global growth is projected to remain steady at its level. Downside risks to global growth have risen in the past six months of 2018 and the potential for upside surprises has receded which is trade conflicts between major world economies, increasing level of debts, and greater geopolitical tensions. The effect of trade war between China and USA has laid a huge burden on the commodity and resulted a lot of volatility in the commodity prices.

A sustained increase in oil prices over the past two years has driven an economic recovery in the Gulf Cooperation Council (GCC) countries. Substantial fiscal consolidation is taking place in most of the countries, mainly focused on expenditure reduction. Further economic reforms are expected as we move ahead as the countries rationalize spending, develop the private sector and diversify the economy from oil-based economy to non-oil which will ensure stronger, sustainable, and inclusive growth. Moreover, Expo 2020 and FIFA 2022 expected to augur well for the GCC growth.

Oman's economic outlook remains for an improvement at a slow pace underpinned by an easing in oil output cuts, and ramp-up in gas production and improved oil prices which facilitated some increase in government spending. Further growth is expected to rebound in future, supported by further recovery of oil prices and higher gas output. The start of natural gas production at the Khazzan gas field and the opening of the new Muscat International Airport are likely to be the main drivers for the new economic opportunities in the country.





## Performance Review

The financial performance of the company in 2018, as compared to that of 2017, is summarized in the table below:

Summary of Income Statement		
	RO in 000's	
	Year 2018	Year 2017
Sales	47,797	34,834
<b>Net profit /(loss) before taxation</b>	<b>976</b>	<b>(538)</b>
Income tax	(162)	83
<b>Net profit / (loss) after tax</b>	<b>814</b>	<b>(455)</b>

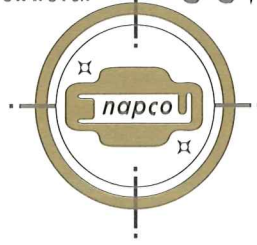
Despite the difficult economic environment, the Company's performance during the year 2018 was reasonably satisfactory. The company realized top line revenue of RO 47.797 million compared to RO 34.834 million during the previous last year which is 37% higher. The Company achieved total production of 34,097 MT as compared to 26,189 MT during the last year which is 30% higher. The Company achieved its budgeted revenue and production despite the uncertainty in the market due to high fluctuation in the LME prices. Increase in sales volumes are attributable to better capacity utilization in the plant, increase in market share, deeper penetration into the existing markets as well as diversification into the new markets, wider product offering, improved services and more trust on marketing initiatives. The Company achieved a net profit after tax of RO 814K as compared to a net loss of RO 455K during the previous year.

## Future outlook

The aluminum extrusion industry in Oman shall continue facing a challenging environment characterized by intense competition, wide fluctuation in aluminium prices, cheaper supplies from abroad and absence of regulations to control the low-quality imports of aluminium profile. The high aluminium price volatility remained major uncontrollable external factor and larger GCC players continue to be extremely aggressive in terms of pricing strategies. The overall demand is improving but at a slow pace.

Challenges have also come in the form of increased energy prices, upfront unseen corporate tax and high financing rates putting pressure on the margins. Further, additional capacities have been introduced in the market which will continue to put pressure on the margins.





To compete effectively, the company is being vigilant on costs, improving efficiencies and expanding customer base and market expansion with countries that give better profit margins. Further industrial and automobile sectors of the market shall be the part of expansion strategy for next year.

### Dividends

Recognising the challenging business environment and conscious of preserving resources to meet unforeseen difficulties ahead in market conditions, the Board has recommended 13% cash dividends per share for the financial year ended in 31<sup>st</sup> of December 2018.

### Corporate Governance

Your Company has a sound corporate governance culture manifested with strong emphasis on transparency, accountability and integrity and our governance system is integrated with ethical business practices meeting the high standards expected by the Authorities.

This Report contains a separate section confirming compliance with the Code of Corporate Governance issued by Capital Market Authority.

### Health, Safety and Environment

In line with our commitment to the safety of our people, HSE continues to receive the highest priority in our organization and daily business activities have been carried out successfully without any Lost Time Injury (LTI) incident.

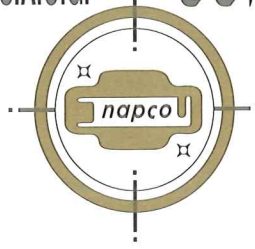
### Omanisation

Your company has always paid special attention for the recruitment and training of Omani employees and is committed to progressively attain high levels of Omanisation at all levels of hierarchy and skill sets within the organization.

### Corporate Social Responsibility (CSR)

Social responsibilities are one of the pillars that contribute in social development and strengthen the relationships between the corporate world and the surrounding society. NAPCO realized this important key factor and its General assembly supported this initiative by approving the spending of ten thousand Rials (RO 10,000). The company will continue to





support the local community in upcoming years with similar initiatives that plant the seeds of goodness in the society.

### Compliance with internal regulations and control system:

The Company is committed to maintain a high standard of internal regulations and control system commensurate with the size and nature of the operations. A manual of financial authorities approved by the Board is in place, which specifies authority levels for various day to day operations. The system of internal control is monitored regularly by the Board, its Committees, Management and Internal Audit for its compliance.

### Acknowledgement and Appreciation

I would like to extend my deep thanks to our honorable shareholders and to all my colleagues on the Board of Directors for their valuable contributions. I would also like to thank the Management and staff for their loyalty, hard work, dedication, and contribution in the achievement of our goals and acknowledges, with sincere gratitude, the support extended by all the investors, clients, vendors, banks, regulatory and government authorities, MSM and CMA and look forward to having the continued support from all of them.

I wish to place on record, personally and on behalf of the Board of Directors and employees, our sincere gratitude to His Majesty Sultan Qaboos Bin Said his wise leadership, encouragement, generous support and guidance which resulted in all round development despite a gloomy business environment globally.

For & on behalf of the Board of Directors  
National Aluminium Products Co. S.A.O.G.

**Mr. Rashad Ali Abdullah Al Musafir**  
Chairman