

BOARD OF DIRECTORS REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2019

Dear Shareholders,

On behalf of the Board of Directors of National Aluminium Products Company SAOG (NAPCO), it gives me great pleasure to present you the unaudited financial reports for the first quarter ended 31 March 2019 and an overview of the performance of the Company.

Global economic environment:

Global economic activity started slowing notably since the second half of last year and continued in the current year, reflecting a confluence of factors affecting major economies. Global financial conditions have tightened, and industrial production has moderated. The trade tensions remain elevated and most of the world economies have experienced significant financial market stress. Faced with these headwinds, the recovery in emerging market and developing economies has lost momentum. Downside risks have become more acute and include the possibility of disorderly financial market movements and an escalation of trade disputes denting global activity.

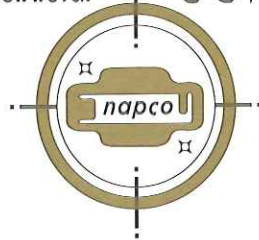
Oman's economic outlook remains for an improvement at a slow pace underpinned by an easing in oil output cuts, and ramp-up in gas production and improved oil prices which facilitated some increase in government spending. The aluminum industry in the GCC region has become a major non-oil industrial sector and contributor to the economic growth of the GCC countries. The region is now a key economic contributor to a growing global demand for aluminium. The slight increase in the oil prices will result in more Govt. spending and new capital projects are expected in the market. The tariff on Chinese imports are creating imbalance in the global supply and demand of aluminium. The drop of aluminium prices has put a direct impact on the profitability of downstream industries. To deal with it has become a real challenge for the aluminium industry worldwide.

Performance Review:

The financial performance of the company in the first quarter 2019, as compared first quarter 2018, is summarized in the table below:



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Summary of Income Statement		
	3-months 2019	3-months 2018
	Unaudited	Unaudited
	RO in 000's	
Sales	11,396	11,766
Net profit /(loss) before taxation	69	393
Income tax	(9)	(51)
Net profit / (loss) after tax	60	342

The Company's performance during the first quarter 2019 was reasonably satisfactory. The Company realized top line revenue of RO 11.40 million compared to RO 11.77 million during the previous period and achieved total production of 8,481 MT as compared to 8,362 MT during the previous period. Despite the uncertainty in the market due to LME fluctuation, the Company achieved 98% of its budgeted production and 93% of its budgeted revenue.

The net profit for the quarter was less than expectation, which was mainly due to fluctuation in aluminium prices started since second half of previous year, increased competition and overall economic slowdown resulted a direct impact on the inventory and metal margin. The LME price was budgeted at RO 803 per MT whereas actual price is at RO 723 per MT.

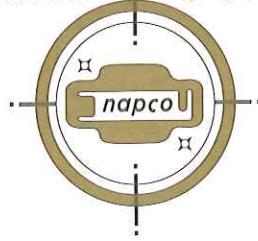
However, despite the difficult economic environment, the Company endeavor to maintain its business activities by continued implementing its business strategy by fully optimizing the utilization of installed capacity of its existing plant, widening its customer base in GCC and other countries, focusing on project-based customers instead of traders and enhancing its market share, widened its product offering with focused marketing initiatives and improved client service.

Future outlook:

The aluminum extrusion industry in Oman shall continue facing a challenging environment characterized by intense competition due to additional capacities in the market, fluctuation in aluminium prices, cheaper supplies from abroad and absence of regulations to control the low-quality imports of aluminium profile. The LME price fluctuation to remain 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 are also upfront, in the form of increased energy prices, unseen corporate taxes and high financing rates putting pressure on the margins.



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To compete effectively, the company is quite vigilant on costs cutting initiatives and improving efficiencies to sustain operating margins. Further efforts are on to expand the customer base, focus on value added products & project-based customers, diversifying market by entering into new industrial and automobile segments and new countries contributing better profit margins. NAPCO will remain keen to meet all the challenges ahead, formulate strategies to enhance the Company's image and financial strength in the periods ahead to generate returns on the shareholder's funds.

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

