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ص.ب : ١٥، الراسل، الرمز البريدي : ١٢٤
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BOARD OF DIRECTORS' REPORT **FOR THE YEAR ENDED 31 DECEMBER 2020**

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 Annual Report containing the audited financial statements for the year ended 31 December 2020 and an overview of the performance of the Company.

His Majesty's Award for Industrial Excellence, 2020:

I am proud to inform you that NAPCO was adjudged as one of the FIVE BEST INDUSTRIAL ESTABLISHMENTS in the Sultanate by the Ministry of Commerce, Industry and Investment Promotion. As a testimony of this achievement, His Majesty's Cup for Industrial Excellence for governance of performance and achievements was awarded to the company at a ceremony presided by H.E. Dr. Ali Bin Masoud Al Sunaidy, Chairman of the Public Authority for Special Economic Zones and Free Zones (OPAZ) on 09.02.2021 coinciding with the celebration of Oman Industry Day.

Economic environment

The aluminum industry in the GCC region is one of the major non-oil industrial sector and contributor to the economic growth of the region. It not only supports the development of respective countries and secure supplies, but also act as a major diversification move and a future revenue stream. The region is now a major economic contributor to a growing global demand for aluminium.

The 2020 was a year of unprecedented challenges driven by decline in oil prices and the COVID-19 pandemic. From the industry perspective, this translated into a sharp decline in demand largely resulting decreased business activities and impact of the restrictions imposed to reduce the spread of disease. This has put a direct impact on the profitability of downstream industries and negatively impacted its producers in GCC and worldwide. To deal with all these, has become a real challenge for the aluminium industry worldwide.



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Performance Review

The financial performance of the company during the year 2020, as compared to 2019, is summarized in the table below:

Summary of Income Statement		
Particulars	Year 2020	Year 2019
	RO in 000's	
Revenue	35,476	42,999
Net (loss)/profit before taxation	(1,246)	(919)
Income tax	163	145
Net profit / (loss) after tax	(1,083)	(774)
Surplus on revaluation of buildings – net of deferred tax	1,988	-
Total comprehensive income / (loss)	905	(774)

The Company realized revenue of RO 35.48 million as compared to RO 42.99 million during the previous period which is RO 7.51 million (17.47%) reduction.

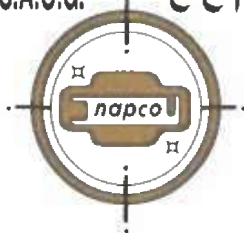
During 2020, Covid-19 pandemic has taken a toll on business activities throughout the globe. Due to closure of economic activities and lockdowns during the year; aluminium industry amongst other industries, had also suffered severe setback. The Pandemic has brought various challenges to the Company in the form of less demand, dropdown of aluminum prices, regulatory restrictions, logistic issues etc., which has resulted a drop in revenue and loss to the Company. Further, increasing cost of energy, tariffs rates, financing rates, as well as declining aluminium prices, increasing competition, dumping of the aluminum extruded profiles in the Omani market without any control resulting a direct impact on the inventory and metal margin. The average LME prices have decreased from RO 690 to RO 655 as compared to previous year which has put a negative impact on the aluminium producers in GCC and worldwide. Since the Stock market drop is higher than the margin, the downstream companies are suffering from losses resulting a drop-in margin. However, despite the difficult economic environment, the Company endeavor to maintain its business activities by continuing to implement its business strategy to minimize the negative impact of above-mentioned factors.

Future outlook

The aluminum extrusion industry in Oman shall continue facing a challenging environment with added impacts of pandemic on the economy for an uncertain period of time. Much of the uncertainty of 2020 is expected to continue into 2021, with the speed of economic recovery,



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both domestically and globally shall remain unclear. The LME price fluctuation to remain major uncontrollable external factor and larger GCC players continue to be extremely aggressive in terms of pricing strategies. Challenges are also upfront, in the form of continued increase in energy prices, unseen corporate taxes, tariffs and high financing rates putting pressure on the margins.

To compete effectively, the company is quite vigilant on effective utilization of resources, cost curtailment initiatives and improving efficiencies to sustain operating margins. Company focus will remain on to reduce its exposure, limit its sales to only high end and high margins, concentration on value added products & project-based customers in Oman and GCC. NAPCO will remain keen to meet all the challenges ahead to enhance the Company's image and financial strength to generate returns on the shareholder's funds.

Dividend

The Board has not recommended any dividend for the financial year 2020.

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. The company employing 134 Omani Staff.





Corporate Social Responsibility (CSR)

Social responsibilities are one of the pillars that contribute to the 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 two thousand (2,000) Rials. Since the movement was restricted due to COVID-19 pandemic, the company could not conduct any significant CSR activities. However, the company will continue to support the local community in upcoming years.

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, Internal and external auditors 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 Haitham bin Tareq bin Taimour and his wise government for continued support, encouragement, and guidance for our company and wish him all success in leading Oman to achieve greater progress and prosperity.

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

Saud Sulaiman Al Riyami
Chairman

