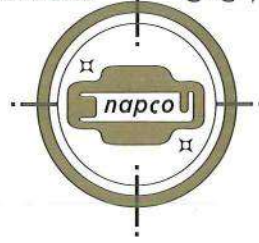


P.O. Box : 15, Rusayl, P. Code : 124
Sultanate of Oman
C.R. : 1/22025/0
E-mail : info@napco.co.om
Website : www.napcooman.com
Tel. : +968 24446450
Fax : +968 24446453/24446449



ص.ب : ١٥ الرسيل، الرمز البريدي : ١٢٤
سلطنة عمان
س.ت : ١/٢٢٠٢٥/٠
بريد الكتروني : info@napco.co.om
ويب سايت : www.napcooman.com
تليفون : +٩٦٨ ٢٤٤٤٦٤٥٠
فاكس : +٩٦٨ ٢٤٤٤٦٤٤٩/٢٤٤٤٦٤٥٣

BOARD OF DIRECTORS' REPORT FOR THE HALF YEAR ENDED 30 JUNE 2020

Dear Shareholders,

On behalf of the Board of Directors of National Aluminium Products Company SAOG (NAPCO), I am pleased to present you the unaudited financial reports for the half year ended 30 June 2020 and an overview of the performance of the Company.

Economic environment:

Global economic activity started slowing notably since last two years, reflecting a confluence of factors affecting major economies. Global financial conditions have tightened, and industrial production has moderated. COVID-19 Pandemic around the world deteriorated world economies with a significant financial market stress. Downside risks have become more acute with visible disorderly financial market movements. The escalation of trade disputes continued among world major economies, further denting global activity and along with deteriorating oil prices resulting in decrease in government spending. Emerging market and developing economies have no sign of recovery in near future.

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. GCC is now a major economic contributor to a growing global demand for aluminium. The drop of aluminium prices has put a direct impact on the profitability of downstream industries. The unfortunate event of COVID-19 worldwide resulted a further sever drop not only in the prices of oil but also the price of commodities and its demand especially the nonferrous metals like aluminium. The aluminium prices were going down caused by China's overcapacity and its high aluminium semis exports.

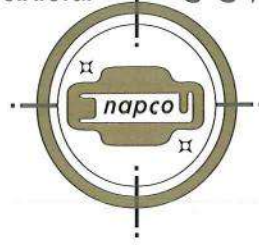
Performance Review:

The financial performance of the company during the half year ending 30 June 2020, as compared to half year ending 30 June 2019, is summarized in the table below:

Summary of Income Statement		
	6-months 2020	6-months 2019
	Unaudited	Unaudited
	RO in 000's	
Sales and other income	15,372	22,230
Net (loss)/profit before tax	(1,049)	29
Net (loss)/profit after tax	(891)	25



P.O. Box : 15, Rusayl, P. Code : 124
Sultanate of Oman
C.R. : 1/22025/0
E-mail : info@napco.co.om
Website : www.napcooman.com
Tel. : +968 24446450
Fax : +968 24446453/24446449



ص.ب : ١٥ الرسيل، الرمز البريدي : ١٢٤
سلطنة عمان
س.ت : ١/٢٢٠٢٥/٠
بريد الكتروني : info@napco.co.om
ويب سايت : www.napcooman.com
تليفون : +٩٦٨ ٢٤٤٤٦٤٥٠
فاكس : +٩٦٨ ٢٤٤٤٦٤٤٩/٢٤٤٤٦٤٥٣

The Company realized revenue and other income of RO 15.37 million compared to RO 22.23 million during the previous period which is RO 6.8 million (31%) reduction and achieved total production of 12,469 MT as compared to 16,944 MT during the previous period i.e. a decline of 4,475 MT (26%).

The COVID-19 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 severe drop in revenue and loss to the Company. The average LME prices have decreased from RO 703 to RO 613 as compared to previous period which has put a negative impact on the aluminium producers in GCC and worldwide. The LME prices have declined at a level lower than it was in 2008. Further, increasing cost of energy, higher financing rates, increase in tariffs, scrap devaluation, increased competition and overall economic slowdown resulting a direct impact on the inventory and metal margin. Since the Stock market drop is higher than the margin, the downstream companies are suffering from losses resulting a drop-in margins and negative impact on the scrap. The shrinkage of scrap demand globally has affected scrap prices and its margins negatively. However, despite the difficult economic environment, the Company endeavor to maintain its business activities by continuing to implement its business strategy to minimize the COVID -19 impact.

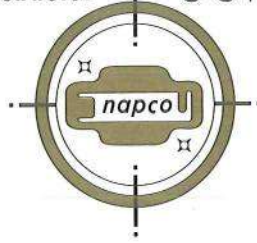
Future outlook:

The aluminum extrusion industry in Oman shall continue facing a challenging environment particularly COVID-19 impacts on the economy for an uncertain period of time along with other factors, intense competition due to additional capacities in the neighboring countries, fluctuation in LME 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. 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.

The Company expecting gradual recoveries in economy as the COVID-19 related restrictions are relaxed in most of the countries which will enable the company to revive its normal operational activities. Further, 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.



P.O. Box : 15, Rusayl, P. Code : 124
Sultanate of Oman
C.R. : 1/22025/0
E-mail : info@napco.co.om
Website : www.napcooman.com
Tel. : +968 24446450
Fax : +968 24446453/24446449



ص.ب : ١٥ الرسيل، الرمز البريدي : ١٢٤
سلطنة عمان
س.ت : ١/٢٢٠٢٥/٠
بريد الكتروني : info@napco.co.om
ويب سايت : www.napcooman.com
تليفون : +٩٦٨ ٢٤٤٤٦٤٥٠
فاكس : +٩٦٨ ٢٤٤٤٦٤٤٩/٢٤٤٤٦٤٥٣

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 Haitham bin Tariq bin Taimour and his wise government for continued support, encouragement, and guidance for industrial sector.

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

Saud Sulaiman Al Riyami
Chairman

