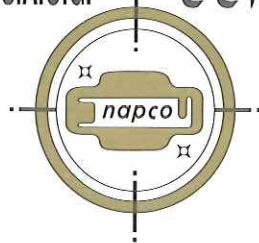


P.O. Box : 15, Rusayl, P. Code : 124  
Sultanate of Oman  
C.R. : 1/22025/0  
E-mail : info@napco.co.om  
Website : www.napcooman.com  
Tel. : +968 24446450  
Fax : +968 24446453/24446449



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 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 half year ended 30 June 2019 and an overview of the performance of the Company.

### **Economic environment:**

The aluminium industry in the GCC countries is considered as one of the key economic drivers for the Gulf 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 has become a key economic contributor to the growing global demand for aluminium over a period of time. However, trade war between USA and China and tariff on Chinese imports has created an imbalance in the global supply and demand of aluminium. The aluminium prices are going down caused by China's overcapacity and its high aluminium semis exports. The Drop in the LME prices has put a direct impact on the profitability of downstream industries and negatively impacted the Aluminium producers in GCC and worldwide. Further, the overall Global growth has also continued to soften this year. Momentum remains weak and policy space is limited. To deal with all these, has become a real challenge for the aluminium industry worldwide.

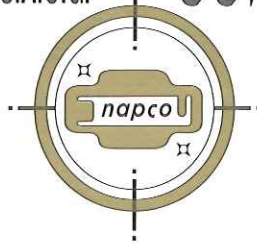
### **Performance Review:**

The financial performance of the company during the half year ending 30 June 2019, as compared half year ending 30 June 2018, is summarized in the table below:

<b>Summary of Income Statement</b>		
	<b>6-months 2019</b>	<b>6-months 2018</b>
	<b>Unaudited</b>	<b>Unaudited</b>
	<b>RO in 000's</b>	
Sales	<b>22,140</b>	<b>24,075</b>
<b>Net profit /(loss) before taxation</b>	<b>29</b>	<b>787</b>
Income tax	(4)	(103)
<b>Net profit / (loss) after tax</b>	<b>25</b>	<b>684</b>



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The Company realized top line revenue of RO 22,140 million compared to RO 24,075 million during the previous period and achieved total production of 16,944 MT as compared to 16,888 MT during the previous period. Despite the weak economic conditions and uncertainty in the market due to LME fluctuation, the Company managed to maintain its revenue and production capacity.

The net profit during the period was less than expectations, which was mainly due to drop in aluminium prices, scrap devaluation, increased competition and overall economic slowdown resulting a direct impact on the inventory and metal margin. The aluminium prices are lower now than it was in 2008. The drop in LME prices 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 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 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 / mix with focused marketing initiatives and improved client service.

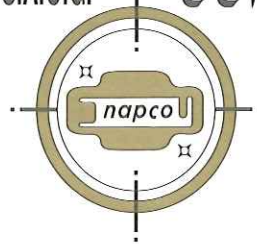
#### Future outlook:

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. Challenges are also upfront, in the form of increased energy prices, unseen corporate taxes and high financing rates putting pressure on the margins.

To compete effectively, the company is quite vigilant on cost 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.



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### 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.

Rashad Ali Abdullah Al Musafir  
Chairman

