

BOARD OF DIRECTORS' REPORT FOR THE HALF YEAR ENDED 30 JUNE 2022

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 1st Half Report containing the unaudited financial statements for the quarter ended 30 June 2022 and an overview of the performance of the Company.

Economic environment

The current geopolitical instability remains the top-cited threat to global economy and more over the worldwide inflation has overtaken volatile energy and material prices has become the second most cited concern besides it Supply chain disruptions rising interest rates making things more complicated, the affects of above- mentioned crises quite visible on raw material prices and on liquidity availability.

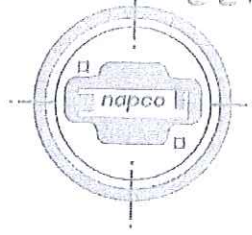
The GCC current capacities in Aluminium extrusion remains far from high utilizations. The reduction in the mega scale and large projects in the GCC was the main contributor to the drop in capacity utilizations. The drop in production levels along with increase of the primary Aluminium rates in both LME and billets premium resulted into a shortage in liquidity.

Performance Review

The financial performance of the National Aluminium Company Products Company SAOG (parent company) and Novel Aluminium Products Company LLC (subsidiary company) collectively represent as a "group" during the 1st Half 2022, as compared to 2021, is summarized in the table below:

Particulars	Summary of Income Statement		
	Group	Parent	
	Year 2022	Year 2022	Year 2021
	RO in 000's		
Revenue	12,873	12,866	15,081
Net loss before taxation	(2,103)	(2,078)	(1,212)
Income tax	311	311	174
Net loss after tax	(1,792)	(1,767)	(1,038)





The group realized revenue and other income of RO 12.873 million and reported a net loss after tax of RO 1.792 million.

This is a result of reduction of total production and dispatch quantity in 1st Half of 2022.

The company's profitability was mainly affected by the below key drivers:

- Shortage in liquidity effected the company's ability to procure its raw materials hence reducing the production quantity required to fulfill its customers demands.
- Increasing competition due to additional capacities in the neighboring countries which effected on metal margin.
- A persistent liquidity condition in the GCC market has stressed the operations of the company resulted in significant delay in collections.
- Significant cost of borrowing due to high interest rates for the working capital.

Future outlook

The uncertainty in Aluminium price and alarming reduction in the LME warehouses worldwide is the factor causing uncertain condition despite a significant recovery in Europe, North America and Australia supported by government rebate taxes on renovations and new buildings. The global conflicts, rising power tariffs and curtailment of primary Aluminium capacity in the major economies resulted in shortage of supply in primary Aluminium

The GCC aluminium extrusion shall continue facing a challenging environment due to the over capacities verses the low demand especially in the construction segment. The uncertainties are expected to continue during the year 2022. where larger GCC players continue to be extremely aggressive in terms of pricing strategies.

The company is exercising all available options by effectively utilizing the operational resources, cost curtailment initiatives and improving efficiencies to sustain operating margins. Your company has extended its export market to overseas countries where the margins are higher, and the payment terms are more sustainable. This shall reflect as an enhancement in the operating margins and reducing the cash flow cycle. 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.



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Sultanate of Oman

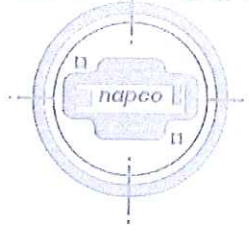
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Compliance with internal regulations and control system:

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, 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.

Dr. Zakia Hassan Al-Naseeb
Chairperson

