OMAN CABLES INDUSTRY (SAOG)

Report of the Board of Directors

To our valued shareholders

It gives me great pleasure to welcome you all on behalf of my colleagues and the Board of Directors of Oman Cables Industry to the 28th Annual General Meeting (AGM) of the company.

We are meeting here today at the Annual General Meeting today where the Board of Directors explains to the shareholders the achievements of the company for the year 2016. We hope to be able to sustain the successes achieved by the company over the years and the current year under review.

Board of Directors

The following are the Board of Directors of the company:

1. Mr. Fabio Ignazio Romeo
2. Mrs. Lara Caroline Mahmoud-Hansen
3. Mr. Mohamed Mustafa Al Lawati
4. Mr. Hamad Mohammad Al Wahaibi
5. Mr. Christian Raskin
6. Mr. Mahmut Tayfun Anik
7. Mr. Michele Binda

The Board and its committees, conducted various meetings and directed the company operations.

Operational Review

In spite of the current market conditions Oman Cables have been able to maintain the volume. The Copper prices, the most important raw material in cables, were ranging lower during the year by 15% compared to 2015. This has affected the sales value.

The Company, due to its geographically spread markets and its diversified composition of the customer base, could maintain the volumes.

Important expansion of the facilities have been completed during the year and there was a continued focus on customer service and operational efficiencies.

Oman Cables Industry is actively looking for areas to collaborate for mutual benefit with its majority shareholder, being in the same business.

Sales

We are pleased to report the 2016 sales revenues of RO 200.3 million for the parent company as compared to RO 231.5 million in 2015. The sales of the Group were RO 228.6 million compared to RO 283.5 million in 2015.

The sales value decrease in 2016 is largely attributable to the 15% decline of the copper rate in comparison to 2015. The volumes sold by the parent company in 2016 were equal to 2015.

The effect of the oil price levels is having an impact on the business sectors and the pressure on the sales value was felt in all markets and across the different segments. Several electrical utilities in and outside of Oman delayed the payments.

Profitability

The net profit of the parent company for the year 2016 was RO 15.4 million as compared to RO 18.2 million in 2015, a decrease of 15.2%

The net profit of the Group was RO 15.3 million compared to RO 18.5 million in 2015 a decrease of 17.6%.

The decrease in profitability is due to the severe competition faced by the parent and subsidiary. In response to market pressure the company and subsidiary kept a tight control on overhead costs.

Oman Aluminum Processing Industries LLC

Oman Cables Industry's subsidiary company, Oman Aluminum Processing Industries LLC (OAPIL) in Sohar, is a joint venture between Oman Cables with 51% share and Takamul Investment Company of Oman Oil with 49% share.

OAPIL is operating in the Aluminum business that is experiencing fierce competition and price pressure. The company continues to focus on the reduction of costs of production and control of the overheads. The management strategies applied are showing an increase in the production efficiencies.

During the year 2016, OAPIL has achieved lower sales and profits compared to 2015. The OAPIL financial results are consolidated with Oman Cables, the parent company, and are reported as Group results.

The Aluminum market worldwide is in turmoil and OAPIL had a challenging year. The Sales Revenues dropped strongly and the profitability was under severe pressure leading to a large drop in the Net Profit.

The year ahead is expected to continue to be challenging and no improvement of the overall market circumstances is expected.

Human Resources

Human Resources plays an important strategic role in the continuous development of Oman Cables and employees are our business partners in this success. Ensuring our employees are equipped with the necessary technical & behavioural skills associated with their roles are always the main drive for excellence. Providing educational assistance for our resources to continue or complete their study has played a vital role in creating stability within the Omani workforce and increasing their qualification levels.

The management of Oman Cables are always striving for a better performance and better healthy sustainable working environment, and in line with that, in 2016 it extensively refurbished the existing canteen facilities and extended the free meal scheme to a larger number of employees and facilitated attractively priced food for all employees. This initiative was well received.

At Oman Cables we believe in “one company and one team” and this is in our values and we are proud of it. This has created an unparalleled value, continuous growth and sustainable performance that always achieve and exceed targets

Health Safety & Environment

Oman Cables is continuously striving to improve the Safety Awareness among it shop floor employees. Various actions are initiated so that all employees have been introduced to the Safety Awareness Programme. The lost time injury frequency rate (LTI) in the company is being actively monitored. The focus is on to have a safe working place with proper safety and health regulations.

As an encouragement to promote the awareness of safety and increase the safety at work and at home, fire extinguishers were distributed to all employees for their homes with Arabic and English manual leaflets illustrating how to use the fire extinguisher together with information on fire prevention.

Corporate Governance

The company has been following the high standards in the Corporate Governance since its inception. The Board has constituted three committees i.e. Audit Committee, Strategic Management Committee and the Nomination and Remuneration Committee. Based on the

importance of the strategy area the board realigns the strategy of the company in the “Strategic Management Committee”. The “Nomination and Remuneration Committee” is established in the first quarter of 2015 and assists and advises the Board on matters relating to the Chief Executive Officer and the top line management staff as well as on other essential matters relating to the Board of Directors.

The company has internal systems and manuals to assist the management in the day-to-day operations. These systems and manuals are reviewed and updated and are in line with statutory requirements while meeting the organizations goals that gives transparency to all transactions. These systems and manuals are in-line with Capital Market Authority regulations as a public listed company on the Muscat Securities Market.

Oman Cables shares the information with all stakeholders and public in general through regular publication of its quarterly and annual results in printed media, on the MSM website and on the company’s website.

Company has aligned its Corporate Governance with the latest Guidelines issued by Capital Market Authority of Oman.

Corporate Social Responsibility

Oman Cables believes that giving back to the community is extremely important. The company has grown manifolds, so has our commitment to the society. The Oman Cables CSR program provides assistance to the various organizations that are dedicated to improve the quality of life for the less privileged in the society.

Oman Cables contributed in 2016, to different sectors of the community and society related to the cultural and social development and education sector in Oman. Youth sports and cultural events arising from its belief in the youth as the future for Oman have been able to take place with the help of the Corporate Social Responsibility program of the company.

The company intends to be in the forefront in this field with different CSR activities, movements and experiences around the world by applying an plan and policy to reflect the depth in partnership between the company and the community and exercise it in line with the needs of the community and society to help securing and providing what is the best for the community and society. The company will keep on working on its CSR activities to reach and cover different sectors of corporate social responsibility in the community and society.

Future Outlook

The countries in which the company’s products are being marketed, have been facing a slowdown in the respective economies due to low and uncertain oil prices and other factors. The company

is gearing up to face the challenge in various ways. While maintaining the focus on existing markets the company is fine tuning its operations to deliver exceptional value to its customers

The management continuous to focus on the dynamic and competitive market for cables. The continued emphasis on operational excellence is an important factor to the continuous success of the company. The company has a strong management and a strong operational performance and will continue to strive on a strategy framework that focuses on the creation of long term value to all the stakeholders while ensuring sustainability in the operations.

The company has demonstrated another year of a satisfactory performance and a continued focus on operational excellence. Oman Cables invested further in the manufacturing capabilities, in marketing and in human resources to continue to deal with the market dynamics. Today Oman Cables is positioned favorably locally, regionally in the GCC and MENA region and in selected international markets.

Dividend:

The Board of Directors, during the board meeting held on 25 January 2017, reviewed the company's annual accounts. Considering the guidelines issued by the Capital Market Authority, the liquidity requirements for the operational needs and the uninterrupted record of declaration of dividend, the Board members propose distributing a cash dividend to the Oman Cables Industry shareholders.

Taking into account the financial performance for the Board recommends to distribute dividend on paid-up capital, ie RO 0.085 baiza for each share with face value of RO 0.100 baiza, to the shareholders registered as on the date of Annual General Meeting.

The Board of Directors also recommends to the shareholders at the Annual General Meeting to approve the total Director's remuneration of RO 200,000 (including meeting attendance fees) to be paid to the Board of Directors, in recognition and appreciation of their efforts towards their responsibilities and for their continuous inputs, guidance and support to the management.

Cooperation with Prysmian, Italy

The company has entered into discussions /MOU with Prysmian of Milan, Italy for implementation of SAP ERP system in the company.
The relevant regulatory approvals as well as Shareholders approval is being sought for this.

Enhancing Company Stake of 40% in Associated Cables Private Limited, India.

Keeping in view the long term plans of the company, the company has successfully negotiated buying of remaining 60% stake from the other shareholders of ACPL- Viz Draka UK group Limited and Prysmian Treasury, BV. The relevant regulatory approvals and the companies shareholder approval is being sought for this.

Conclusion:

We acknowledge with thanks to our local and global customers, business associates, the finance community, local communities and all other stakeholders for their continued support to Oman Cables.

Our special thanks go to all our employees and to the management for their consistent hard work and wholehearted commitment in delivering the objectives and in taking the company to greater heights. Oman Cables has trustworthy employees who are the reason for our success and it emphasizes the importance of all our people in the company.

Oman Cables acknowledges the great support extended by the Government of His Majesty Sultan Qaboos Bin Said, the Authorities in the Ministry of Commerce & Industry as well as all other Ministries and Government departments.

We wish the best for our beloved Oman to develop even more under the wise leadership of His Majesty Sultan Qaboos Bin Said by granting His Majesty with good health and longevity.

Mr. Fabio Romeo
Chairman
Oman Cables Industry (SAOG)

Date: 25 January 2017