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 29th 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 2017. 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. Michele Binda
7. Mr. Fabrizio Rutchmann

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 Sales level. The average Copper prices, the most important raw material in cables, were higher during the year by 19% compared to 2016. This has helped the sales value.

The company sold materially lower volumes during the year, due to current down turn in the market.

Important expansion of the facilities and of testing capabilities have been completed during the year. The company continues focus on customer service and operational efficiencies.

Oman Cables Industry is actively looking for areas to collaborate for mutual benefit with its majority shareholder.

Sales

We are pleased to report the 2017 sales revenues of RO 199.4 million for the parent company as compared to RO 200.2 million in 2016. The sales of the Group were RO 242.6 million compared to RO 228.6 million in 2016.

The sales value is maintained in 2017, is largely attributable to the 19% increase of the copper rate in comparison to 2016. The volumes sold by the parent company in 2017 were lower than 2016.

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. The Company is experiencing delay in payments from customers.

Profitability

The Operating Profit of the parent company for the year 2017 was RO 10.4 million as compared to RO 17.7 million in 2016, a decrease of 41%. The decrease in profitability is related to prevailing market conditions of shrinking market and under pressure profitability. The company is responding by vigorous cost control measures.

The net profit of the Group was RO 6.8 million compared to RO 15.3 million in 2016 a decrease of 55%. The company's Subsidiary, OAPIL has reported a loss, attributable mainly to effect of Force Majeure declared by its main supplier of input metal

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.

During the year 2017, OAPIL has reported loss due to the un-remunerative aluminum rod premiums and effect of disruption suffered due to Force Majeure declared by its main supplier of input aluminum.

The OAPIL financial results are consolidated with Oman Cables, the parent company, and are reported as Group results.

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.

As a response to changing market dynamics, OCI Board has instructed management to critically assess the employee numbers and performance and put in place, a restructuring plan, which was implemented by the Management in Q4 2017.

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 Program. 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.

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 and has conducted a Board Evaluation as required through an independent third party evaluator appointed by the shareholders in AGM held on 26 March 2017.

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 2017, 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.

Oman Cables proposes to undertake new initiative in education for youth Omanis for training and internship to be run by the Company.

Future Outlook

The countries in which the company's products are being marketed, have been facing a slowdown in the respective economies. Due to lower 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 continue to deliver exceptional value to its stakeholders.

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.

Dividend:

The Board of Directors, during the board meeting held on 17 January 2018, 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, i.e. RO 0.045 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.

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 completed acquiring 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 company's shareholder approval are completed and ACPL is now a 100% owned by Oman Cables

This will broaden OCI production base and as well as OCI offering to its customers.

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: 17 January 2018