OmanCables
الكابلات العمانية

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 SAOG (the Company) to its 31st Annual General Meeting (AGM). The performance of the Company and its subsidiaries (the Group) is below.

Board of Directors

The following are the Board of Directors of the Company:

1. Mr. Fabio Ignazio Romeo
2. Mr. Mohamed Mustafa Al Lawati
3. Mrs. Lara Caroline Mahmoud-Hansen
4. Mr. Naji Salim Al Riyami*
5. Mr. Christian Raskin
6. Mr. Michele Binda
7. Mr. Fabrizio Rutchmann
8. Mrs. Manal Said Al Ghazali*

* Part of the year

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

Operational Review

After a steady increase during 2018, oil prices dropped again at the end of year 2018. During the year 2019, even though oil prices came back to around $65 (per barrel) levels, it was not enough to avoid double digit decrease compared to 2018 as an average. The price of copper which decreased initially during the second and third quarter but regained in the last quarter. This slowed down the revival of GCC economies.

This has affected Cable market in the region and increased the pressure on sales price and margins.

Your company responded to the market situation with vigorous efforts to protect the market share in terms of volume, defend the margins with increased focus on control of costs. Combination of these efforts resulted in the increase in gross profit margin for the year and avoided further deterioration of net profit.

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رسيل رمز بريدي ١٢٤
سلطنة عُمان

During the year, with mutual cooperation between Oman Cables Industry and Prysmian, resulted in increased sales opportunity and operational cost control at OCI.

Sales

2019 sales revenues are RO 165.4 million for the Company as compared to RO 194.0 million in 2018. The sales of the Group were RO 210.1 million compared to RO 247.0 million in 2018.

The effect of the oil price levels is having an impact on all business sectors and the pressure on the sales value was felt in all markets and across the different segments. Slowdown in construction industry is affecting cable market severely. Company volumes are impacted by current market conditions.

Profitability

The Operating Profit of the Company for the year 2019 was RO 7.5 million as compared to RO 10.9 million in 2018, decrease of 31%. The decrease in profitability is mainly due to volume reduction, which is partially compensated by cost control initiatives.

The net profit of the Group was RO 7.2 million compared to RO 9.1 million in 2018 with a decrease of 21%. The decrease in Group profitability is due to the slowdown in construction industry and volume reduction consequently.

Subsidiary: Oman Aluminum Processing Industries LLC, Oman

Oman Aluminum Processing Industries LLC (OAPIL) in Sohar, was a joint venture between the Company with 51% share and Takamul Investment Company of Oman Oil with 49% share. The Company has concluded an agreement with Takamul Investment Company for their shares in OAPIL. We are pleased to inform you that OAPIL is now 100% owned by the Company.

During 2019, the Company became directly involved in the operations and management of OAPIL in order to improve production efficiency and to apply cost control activities.

After making losses in 2017 and 2018, improvements done by the Company management allowed OAPIL to report an income for year 2019. OAPIL results are consolidated with the Company and are reported as Group results.



Subsidiary: Associated Cables Private Limited, India (ACPL) (100% subsidiary)

The Company has increased focus on India market and has invested in growing ACPL operations. Such investment will add capabilities to produce new products and also capacity. The expansion plan is expected to be operative by March 2020.

Human Resources

Human Resources play a strategic role in the continuous development of the Group.

As a response to changing market dynamics, the Group is continuously promoting and developing its employee strength, performance and quality. Prysmian continued to support in this area by deputing highly experienced professionals to the Company.

Thymar ثمار Initiative – Omani Youth Development

Thymar initiative was launched in 2018 and this year we are pleased to announce that 10 Omani graduates were enrolled in this initiative which entail one year local and international training. Three young Omanis have been selected for Prysmian Graduate Trainee Programme of three years, which involves international education and work experience across Prysmian Plants.

Health Safety & Environment

The Group is continuously striving to improve safety awareness. All employees have been introduced to the Safety Awareness Program. The lost time injury frequency rate (LTI) continues to be actively monitored for the benefit of the employees and Company.

Corporate Governance

The Company continues to follow high standards in Corporate Governance. The Board has three committees: 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.

The Company 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.

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Corporate Social Responsibility

The Company believes that giving back to the community is extremely important. As the Company has grown, so has its commitment to the society.

As part of the Corporate Social Responsibility effort, the Company has developed the Thimar initiative described above.

Future Outlook

The Gulf region in which the Group realize the large part of its operation is unlikely to face immediate recovery mainly due to dependence from oil prices. While maintaining the focus on existing markets the Group is streamlining its operations to continue to deliver value to its stakeholders.

The management continues to focus on the dynamic and competitive market for cables by enlarging the product portfolio with high value-added cables in order to differentiate its offering. The emphasis on operational excellence is an important factor to the success of the Group.

Dividend:

The Board of Directors, during its meeting of 23 January 2020, reviewed the Group'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 proposes distributing a cash dividend to the shareholders.

Taking into account the financial performance of the Group, the Board recommends to distribute dividend on paid-up capital, by 35% of its Paid-up Share capital equal to RO 3,139,500 per share (35 baiza per share) of the face value of RO 0.100, to the shareholders registered as on the date of Annual General Meeting.

Directors Remuneration

The Board of Directors 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.

It may be noted that three non-independent board members, being Prysmian employees, have waived off their portion of remuneration for 2018, in response to drop in business results.

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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 Industry SAOG.

Our special thanks go to all our employees and to the management for their consistent hard work and wholehearted commitment to the Company. We consider our employees as fundamental to our success.

We extend our deepest condolences to His Majesty Sultan Haitham bin Tareq bin Taimur al Said, the Sultan of Oman, the Royal family and the people of the Sultanate of Oman on the passing of His Majesty Sultan Qaboos bin Said bin Taimur al Said. We pray to Allah the almighty that his soul rest in peace and is cherished in paradise.

We wish the best for our beloved Oman to further develop under the leadership of His Majesty Sultan Haitham bin Tariq bin Taimur in good health and longevity.

Mr. Fabio Romeo
Chairman
Oman Cables Industry (SAOG)

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Date: 23 January 2020

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