

Directors' Report

Dear Shareholders,

On behalf of the Board of Directors I am pleased to present the un-audited consolidated results of Al Anwar Holdings SAOG (AAH) for the nine months ended 31st December, 2017.

Financial Overview of Al Anwar Group:

The unaudited consolidated financial statements presented are an outcome of the following:

1. The revenues generated and the costs incurred up to 30th September, 2017 by its subsidiaries namely:
 - i. Al Anwar International Investment LLC, 100% subsidiary of AAH, primarily being used as an investment arm.
 - ii. Al Anwar Development LLC, 100% subsidiary of AAH.
 - iii. Al Anwar Hospitality SAOC, 100% subsidiary of AAH and
2. The Share of Profit / (Loss) achieved by Associate Companies up to 30th September, 2017 in which AAH owns between 20% and 50% of their share capital or where AAH has significant influence on the Board of Directors of the company,
3. Dividends from investments,
4. Realized gains made from divestments,
5. Realised and un-realised gains / losses from other listed & unlisted securities.

Your company has achieved a consolidated group net profit, after tax, attributable to shareholders of parent company, of OMR 3.873 million for nine months ended 31st December, 2017 as against OMR 3.314 million for nine months ended 31st December, 2016, an increase of 17%.

The earning per share (EPS) was 19 Baisa for the period ending as on 31st December, 2017 as against EPS of 17 Baisa for the period ending as on 31st December, 2016, adjusted for the stock dividend declared in 2017.

Net asset per share of the group is 179 Baisa per share as on 31st December, 2017, on the increased capital due to stock dividend, as against 193 Baisa per share as on 31st December, 2016.

Updates on Investments

Al Maha Ceramics SAOG (AMC):

Al Maha reported a reduction of 6% in the revenues and a 30% decline in net profit for the period, mainly due to increased competition from Local as well as overseas players in the market and also partially due to higher utility charges. The company is following prudent and proactive approach to counter prevailing market conditions.

Voltamp Energy SAOG (VE):

VE reported a growth in its revenue of 4.6% but a decline of 17.6% in net profit for the period. The decline in profit can be attributed mainly to increase major raw material prices, utility charges and intense competition the market.

Arabia Falcon Insurance Company SAOC (AFIC) (Formerly known as Falcon Insurance Co SAOC):

In March 2017, AAH has completed the part divestment of it's holding in Falcon Insurance, and merger of the entire business, assets and liabilities of Oman Branches of Arabia Insurance, into Falcon Insurance. Subsequent to above transactions, AAH holds 19% stake in Arabia Falcon Insurance Company SAOC.

The merged entity registered growth in business however a decline in profit was recorded as a result of higher net claim ratio and increase in expenses.

The Company is in the process of Initial Public Offer (IPO) for listing on the Muscat Securities Market (MSM) in accordance with the CMA regulations.

Oman International Development and Investment Co. SAOG (OMINVEST):

In November 2017, AAH completed the sale of 62.943mn shares of OMINVEST (9.0% stake), @ OMR 0.495 per share, with total consideration value of OMR 31.157mn to Oman National Investment Corporation SAOC (ONIC). Sale proceeds from this transaction shall be utilized towards partial debt repayment and making new investments going forward. This transaction had a positive impact on AAH's Profit and Loss Account for FY2017-18 of around OMR 3.7mn. Post this transaction AAH along with its subsidiaries shall have 1.15% stake in OMINVEST.

Acquisition of New Strategic Investments:

In November 2017, Al Anwar Holdings SAOG (AAH) acquired an investment portfolio comprising of strategic stake in a following three companies listed on the MSM through a Portfolio Sale and Purchase Agreement (PSPA) entered with Oman International Development and Investment Company SAOG (OMINVEST)

Oman Chlorine SAOG	- 15.11% stake
National Detergent Co. SAOG	- 20.94% stake and
National Biscuits Industries Ltd. SAOG	- 28.92% stake

This investment portfolio is being acquired for a total consideration of OMR 11.568mn. This is in alignment with AAH's core investment philosophy of making strategic investments in the industrial sector in Oman.

Al Ruwad International for Education Services SAOC:

During the year, AAH has acquired 43.51% stake in The Canadian Innovation Company for Education Services SAOC, which owns and operates an International School in Muscat. The school started the year at a positive note to register more students than last year.

Outlook:

AAH has maintained a prudent and pro-active approach towards managing its investments. Business lines of our group companies are making efforts to have continued stability in the present challenging market environment.

In the current market, AAH sees opportunity to make further investment and the group is exploring opportunities in the strategic sectors, which will be able to diversify its investment portfolio.

We are confident that AAH will play a pivotal role in Oman's economic growth, create job opportunities for Omani nationals, and attract investments in our country.

Thanks and Appreciation:

On behalf of the Board, I would like to convey our loyalty, gratitude and extreme thanks to His Majesty Sultan Qaboos Bin Said and to His Majesty's Government for incentives and support for all round sustainable development in the Sultanate.

The Board records its sincere appreciation to Ministry of Commerce and Industry, Capital Market Authority, MSM, Customers, Bankers and Auditors for their continued support to the Company and the Group.

I would also like to express my sincere appreciation to the Board of Directors of all Al Anwar Group companies for direction given to the managements of the respective companies. I place on record my sincere thanks and appreciation for the dedicated efforts of the management team and all employees of the holding company and the group companies.

I would also like to convey my sincere thanks to the Shareholders of the Company for the confidence they have reposed in the company and in its Board.

**For & on behalf of the Board of Directors of
Al Anwar Holdings SAOG**

**Masoud Humaid Al Harthy
Chairman**

Date: 12th February 2018