

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, 2015.

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, 2015 by its subsidiaries namely:
 - i. Falcon Insurance Company SAOC, 51.04% subsidiary of AAH, engaged in Insurance activities in Oman,
 - ii. Al Anwar International Investment LLC, 100% subsidiary of AAH, primarily being used as an investment arm, and
 - iii. Al Anwar Development LLC, 100% subsidiary of AAH.
2. The Share of Profit / (Loss) achieved by Associate Companies up to 30th September, 2015 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 RO 2.223 million for nine months ended 31st December, 2015 as against RO 3.719 million for nine months ended 31st December, 2014, a drop of 40% compared to last year. During last year the company had significant profits from divestments thru stake sale and IPO.

The earning per share (EPS) was 20 Baisa (annualised) as on 31st December, 2015 as against EPS of 33 Baisa (annualised) as on 31st December, 2014, adjusted for stock dividend.

Net asset per share of the group is 170 Baisa per share as on 31st December, 2015, on the increased capital due to stock dividend, as against 164 Baisa per share as on 31st December, 2014, adjusted for stock dividend.

Updates on Investments

- i. **Falcon Insurance Company SAOC:** Falcon reported a marginal growth of 1.4% in gross premium written and growth of 10% in underwriting results. However, the investment income recorded decline of 66% compared to last year, and therefore net profits were lower by 12.4% as compared to last year.

A prospective buyer seeks to acquire minimum of 51% stake in Falcon Insurance and the Board of Al Anwar Holdings SAOG decided to pursue the transaction. The price for the transaction would be 1.2 multiple of NAV based on Audited Financials of Falcon as on 31st December, 2015 and due diligence findings.
- ii. **Al Maha Ceramics SAOG:** Al Maha has reported a reduction of 10% in the revenue during the period due to the planned shutdown of production during January, 2015. However, it has reported a growth of 5.5% in the net profit for the same period compared with last year. Currently Al Maha is fully utilizing its production capacity and therefore the Board of Al Maha has approved the expansion plans to increase its capacity by 120%.

- iii. **Voltamp Energy SAOG (VE):** VE has reported 42% growth in its revenue and 41% growth in net profit for the period, mainly due to better performance in power transformer division and distribution transformer division.
- iv. **Oman International Development and Investment Co. SAOG (OMINVEST):** As at end of the quarter, AAH held 8.91% stake in OMINVEST. Al Anwar's representative was appointed on board and audit committee of OMINVEST post-merger.

Outlook:

In line with the regional GCC economies, Oman's economy is realigning to the impact of sharp fall in crude oil prices during 2015 which has continued into 2016. The Gross Domestic Product (GDP) for Jan-Sept 2015 exhibited a 14.2% decline to RO 20.09 billion from RO 23.41 billion during the same period last year. Government Budget for 2016 revealed a more austere approach to public spending whilst cautiously implementing measures to reduce state spending with a sizable cut in costly fuel subsidies, increases in the corporate tax and fees on government services.

Al Anwar has maintained a cautiously optimistic approach with the core focus on financial services and industries. Business lines of our group companies are seeking stability in the present challenging market environment. Going forward, in continuance of prudent policy framework, we will align the growth strategies accordingly.

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: 08/02/2016