Dear Shareholders,

It gives me pleasure to welcome you all to the 35th Annual General Meeting of the Company. The audited financial statements including the consolidated financial statements for the year ended 31 December 2015 along with the Auditor’s report is presented for your perusal.

Review of operations and financial performance:

Production:

Group: The Group as a whole has produced 3.555 Million Tons of Clinker and 3.813 Million Tons of Cement during the year against 3.290 Million Tons of Clinker and 3.762 Million Tons of Cement during the last year respectively. The overall production of Clinker went up by 8.05% and in Cement by 1.36% respectively.

Parent Company: The Parent Company in its Salalah plant produced 2.191 Million Tons of Clinker and 2.357 Million Tons of Cement during the year against 2.089 Million Tons of Clinker and 2.374 Million Tons of Cement in the last year. Overall there is an increase of Clinker by 4.88% and decrease in Cement by 0.72% as compared to corresponding year.

Subsidiary company: At Pioneer Cement, a subsidiary company, plant in UAE, the productions of Clinker and Cement stood at 1.364 Million Tons and 1.456 Million Tons respectively during the year, against 1.201 Million Tons of Clinker and 1.388 Million Tons Cement respectively in the last year. Clinker productions increased by 13.57% and Cement production increased by 4.90% against last year.

Sales:

Group: The Group as a whole has sold 3.818 Million Tons of Cement during the year against 3.814 Million Tons of Cement in the last year. Overall there is an increase by 0.10%.

Parent Company: The Parent Company has sold 2.366 Million Tons of Cement during the year against 2.431 Million Tons of Cement in the last year, out of the operations in its Salalah plant, a decrease of 2.67%.

Subsidiary company: At Pioneer Cement, a subsidiary company, plant in UAE, has sold 1.454 Million Tons of Cement against 1.390 Million Tons in the last year, an increase by 4.60%.
Revenue and profit:

**Group:** During the year, the Group has earned a Revenue of RO 94.68 Million, against RO 94.29 Million in the previous year, an increase by 0.41%. The Profit Before Tax stood at RO 25.05 Million as against RO 30.39 Million of the previous year, a decrease of 17.57%. The Group operating profit has decreased to RO 26.43 Million in the current year from RO 30.47 Million in the last year i.e. a decrease by 13.26%. This is mainly due to the increase in natural gas price effective 1st January 2015. The Profit after Tax for the Group has decreased at RO 20.95 Million (LY RO 27.43 Million), a decrease of 23.62%, during the year.

**Parent Company:** In spite of the severe price competition from the UAE suppliers, and the volatility in the export market, the Parent Company has achieved the Sales Revenue of RO 65.53 Million during the year against RO 66.99 Million during the previous year, a decrease by 2.18%.

Profit Before Tax of the Parent Company stood at RO 31.23 Million for the year against RO 24.30 Million earned during the last year, an increase by 28.52%. This is mainly due to the dividend received from Pioneer, a subsidiary company.

The Profit after Tax for the Parent Company has increased at RO 27.39 Million (LY RO 21.33 Million), an increase of 28.41%, during the year.

**Subsidiary company:** During the year, the Sales Revenue, earned by Pioneer Cement, a subsidiary company in UAE amounted to RO 29.28 Million as compared to RO 28.16 Million achieved in the previous year, an increase by 3.98%.

Pioneer Cement has earned a profit of RO 5.64 Million as against RO 4.89 Million earned during the previous year, an increase by 15.34%, in spite of the severe competitions faced by the company in the UAE and Oman markets.

**Other subsidiary companies:** Raybulk Navigation and Raysea Navigation, two of the subsidiaries which provide with shipping services, have earned revenue of RO 1.92 Million and RO 1.47 Million against RO 1.97 Million and RO 1.34 Million.

Profit after tax earned by Raybulk Navigation and Raysea Navigation of RO 0.329 Million and RO 0.050 Million respectively during the year against profit of RO 0.867 Million and a loss of RO 0.02 Million in the last year.

The consolidated profit earned from associated companies amounted to RO 1.08 Million against RO 1.46 Million in last year. During the year, the dividend received by parent Company amounts to RO 13.534 Million against 1.254 Million in last year. The dividend received from a subsidiary company in UAE is RO 12.576 Million and associated company in Yemen is RO 0.897 Million (LY RO 1.11 Million) out of the total dividend mentioned above.

The major markets for the Parent company are domestic, Yemen and East African markets, and that for Pioneer, they are UAE and Oman markets. In southern Oman and southern Yemen markets, the Parent Company is the major player.
**Dividend Policy:**

The Company has been following a dividend policy based on performance achieved, market as well as investors’ expectations and need for transfer to reserve to take care of various internal requirements and future developments.

The dividends declared during last five years are tabled below:

<table>
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<tr>
<th>Year</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividend on paid up capital</td>
<td>75%</td>
<td>75%</td>
<td>50%</td>
<td>100%</td>
<td>100%</td>
</tr>
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In view of good performance by the company even in a difficult environment, the Board of Directors is proposing to the shareholders in AGM that the dividend of 50 Baisas per share be paid on the paid up capital.

**Capital Structure Change:** During the year under review no capital restructuring like increase or reduction in capital or issue of bond has happened.

**Future Outlook**

Various cost reductions initiatives coupled with optimization of distribution of cement keeping market share and profitability in mind, would be the major area of attention in the coming years. With those internal initiatives the Company is hopeful to minimize the pressure to a great extent.

The management continue to focus on the dynamic and competitive market for cement. 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 that focuses on the creation of long term value to all the stakeholders while ensuring sustainability in the operations.

The company has invested further in the manufacturing capabilities, in marketing and in human resources to continue to deal with the market dynamics.

**Expansions:**

During the current year, the Parent Company has completed the process of establishing a 51% new subsidiary company in association with Barwaaqo Cement Company LLC in Berbera in Somalia.

The construction of Duqm terminal is underway to ease supplies of cement for development in the area. Additionally, the Company is planning for 150 t/h Rotary Packing Machine with Auto Truck loader at Salalah to provide larger and faster capability of packing cement in bags.

During the current year, the Company has completed the construction of multi purposes compartment Silo of 20,000 MT capacity in Salalah plant and the work is in progress at Pioneer for the additional capacity of 12,000 MT Silo, commissioning will be in 2016. These will add more storage capacity and will enable flexibility for higher productions.
During the current year, the Parent company has signed an agreement for upgrading Parent Company Gas Supply Station at Salalah. The project is expected to be completed in May, 2016. After which the Parent Company will be able to get additional 40,000 MT of gas. This is subjected to acceptance from Ministry of Oil and Gas. Upon project completion, the production capacity of cement shall be increased to about 120,000 – 130,000.

**Investments:**

The Company has been placing the surplus funds in Fixed Deposits from time to time out of the surplus generated both from Parent Company and its subsidiary in UAE, in order to take as much as possible advantage from these deposits.

**Employees:**

The Company is always on the lookout for professionally qualified staff members in the management to enrich its base, and is striving for training and development of employees for a sustainable growth focused organization. Group of employees were sent on training to various institutes both within and outside the country, apart from holding large number of in house training program.

**Social Responsibility:**

The Company does recognize its social responsibility and all important need for environmental protection. Maintaining pollution free environment as per international standards and continuously endeavoring to its improvement has been the guiding principles of your Company.

The Company has become a Centre for many Institutions of higher learning and Technical Colleges to train their students under the guidance of our executives with practical hands on experiences.

**Internal Control:**

Internal control system is being regularly assessed by the Internal Audit Team as well as by the management.

**Acknowledgement:**

On behalf of the Board of Directors and on my personal behalf, I take this opportunity to express our deep sense of gratitude to His Majesty and His Government for their unstinted support and guidance. I would like to thank you for your support and confidence in us. I would also like to thank our associates, dealers, customers, the management team and all our employees for their loyalty, integrity contributions, commitment and continued support to the overall success of the Company.

Ahmed bin Yousuf bin Alawi Al Ibrahim
Chairman of the Board of Directors