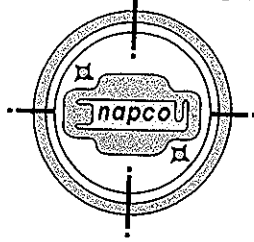


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MANAGEMENT DISCUSSION AND ANALYSIS REPORT-2013

The Management of National Aluminium Products Co. SAOG is pleased to present the Management Discussion and Analysis Report for the year ended 31st December, 2013.

1. Industry Structure and Developments:

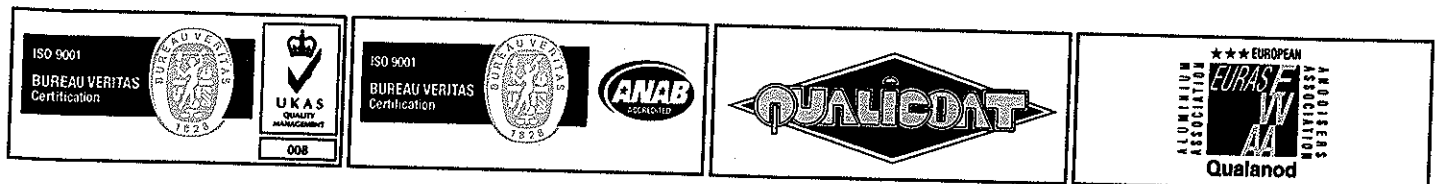
The building and construction industry, which accounts for 90% of the GCC aluminium extrusions market, witnessed increased level of competition not only from larger extruders but also from newer players who resorted to aggressive price cutting strategies in order to garner market shares.

Installed capacity in the region is expected to witness further increases during 2014 and 2015, much of which has probably been spurred by the apparently healthy demand foreseen in the construction industry in the region.

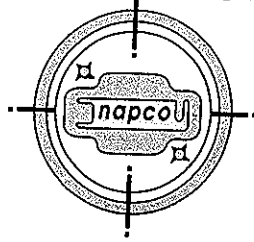
2. Outlook:

Although the outlook for global growth in 2014 remains relatively at slower pace, economic growth in GCC is forecast at 4 per cent in 2014. In Oman, to maintain growth and increase employment, the government has allocated substantial amounts for capital works projects with spending increases in education, training, employment, housing and social support schemes. In Saudi Arabia, a target market, massive investment will continue in social and economic infrastructure providing opportunities for large contractors' involvement. In the UAE, government supported infrastructure spending in transport and utilities will intensify as a means to diversify the economy away from oil. Qatar is developing its non-oil sector thereby supporting infrastructure development and hosting the FIFA 2022 World Cup should yield considerable contracts across the construction and infrastructure sectors.

With the GCC countries' Government drive to diversify from the hydrocarbon sector through infrastructure investment and a growing service sector, notwithstanding lower commodity prices, the prospects for the region's building and construction industry in 2014 will be diverse. The construction sector will be among the key beneficiaries from the shift



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to non-oil and gas development. The increased contribution from private sector in real estate development, supported by low interest rates will contribute to the sector's expansion. Demand for extruded products is expected to grow.

Prices on the other hand are expected to remain fiercely competitive, which will result in margins for standard or commercial type products to remain under pressure. The company is focused on developing niche markets for its products within the GCC as well as other export markets.

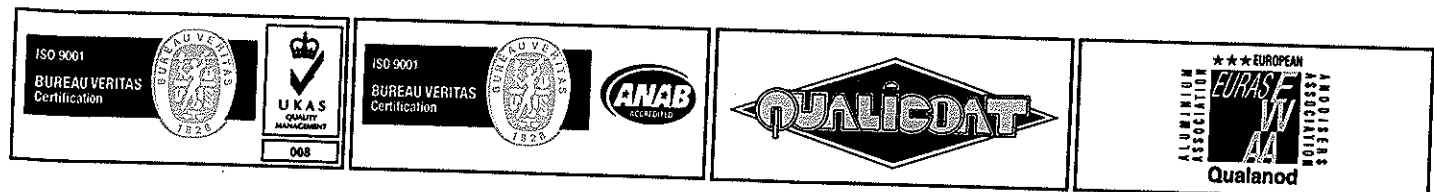
3. Strengths, Weaknesses, Opportunities and Threats:

Strengths:

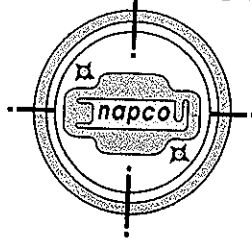
The company is currently the only manufacturer and exporter of aluminium extrusions in Oman. The company's products are perceived to be of superior quality. The Management team is committed to continuous development of new markets and products offering better value addition which offer better net realization. The company is professionally managed and personnel at all levels are well qualified and experienced.

Weaknesses:

Competition in the immediate region, particularly in the GCC markets, is quite severe with supply exceeding prevailing demand. While the company enjoys a dominant position in its home market, this market is relatively small and therefore the company must rely heavily on export markets which requires a very focused branding and image building drive, at significant marketing costs, amidst highly competitive environments. Competing with a pricing strategy aligned with competition outside Oman will not be easy with higher internal costs unless much larger sales volumes are achieved.



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Opportunities:

Given the outlook of a potentially booming construction industry described above, the company with its diversified export markets and continued focus on value added products, will be better positioned to sustain both in terms of size and profitability in the coming years.

Management is currently exploring avenues to product and market developments.

Threats:

By and large, a major threat continues to be the LME volatility in terms of aluminium price, and which very often has no relation with underlying fundamentals of supply and demand.

Furthermore, larger GCC players continue to be extremely aggressive in terms of pricing strategies and the recent past has also witnessed the entry of newer players in the field.

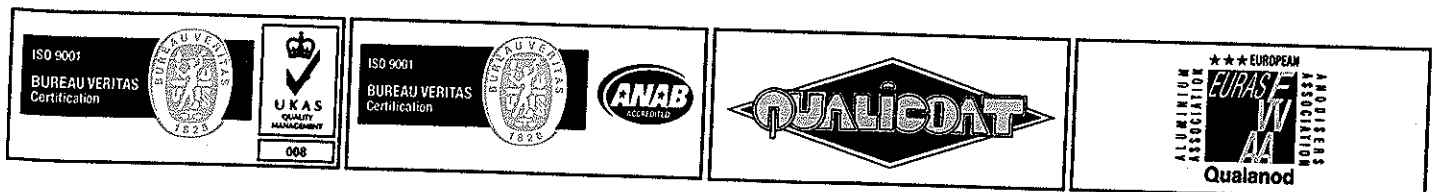
Even though the high value projects are in anvil, extrusion caters to the end period of those projects. These factors could result in continued pressure on margins.

4. Analysis of segment and product-wise performance:

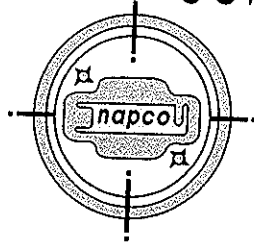
Segment reporting has been given separately in this annual report under notes to the financial statements (note no.26). The company is largely a single product company, namely aluminium extrusions, and hence product-wise performance is not relevant.

5. Risks and concerns:

One of the most important risks in the company's business, will always remain the volatility in aluminium prices on the London Metal Exchange. The company manages the risks by effectively monitoring movements closely and also entering into forward contracts if required by the customer.



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The end of US quantitative easing could come with greater and longer lasting tightening of global financial conditions than is presently expected and is likely to put pressure on the prices of commodities in the shorter time. The company manages the risk mainly by natural hedging process and having contracts with customers on required basis.

The global economy could grow marginally with more supply from the region than demand side will likely to put severe pressure on margin. Other risks include the adverse behavior of oil prices, and finally, major fluctuations in exchange rates.

6. Internal control systems and their adequacy:

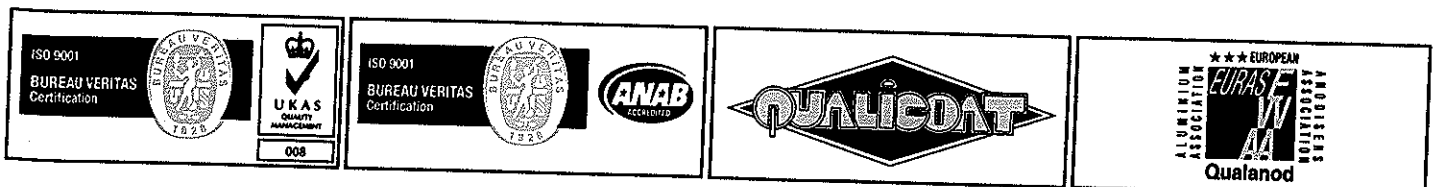
Your company is committed to maintain high standards of internal control, commensurate with the size of the business. Regular internal audit undertaken by internationally reputed professional firms to ensure high standards of internal control and to ensure that actions in day to day Management are exercised as per authority levels prescribed at each level as per Operating Manuals.

Independence of the audit and compliance function is ensured by direct reporting to the Audit Committee of the Board. Details on the composition and functions of the Audit Committee can be found in the chapter on Corporate Governance of the Annual Report.

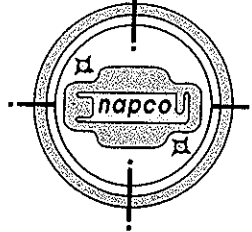
7. Discussions on financial and operational performance:

Sales turnover for the year stood at RO 18,623,045 due to favourable product mix. The company continued its focus on value added products. Profit after tax RO 1,177 K is higher due to better realization to the high value projects.

As disclosed earlier, due to expiry of limitation period for liability, the one off (non repeating nature) income of RO 292 K (after tax RO 256 K) has been accounted for in the financial statements.



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	2009	2010	2011	2012	2013
Sales (RO' 000)	21,136	20,981	21,218	17,737	18,623
Profit After Tax (RO '000)	2,538	2,146	1,387	337	1,177
Equity (RO '000)	7,152	7,284	7,328	6,993	7936
Dividend (%)	60%	40%	20%	7%	12%

Having sustained profitability in a very difficult business environment during the past years, Management remains keen to meet the challenges ahead, formulate strategies to enhance the company's image and financial strength in the coming years to generate better returns on the shareholders funds.

Chairman

General Manager

