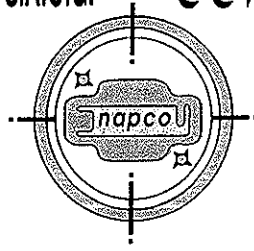


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Sultanate of Oman
C.R. : 1/22025/0
E-mail : info@napco.co.om
Website : www.napcooman.com
Tel. : +968 24446450
Fax : +968 24446453/24446449



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بريد الكتروني : info@napco.co.om
ويب سايت : www.napcooman.com
تليفون : +٩٦٨ ٢٤٤٤٦٤٥٠
فاكس : +٩٦٨ ٢٤٤٤٦٤٤٩/٢٤٤٤٦٤٥٣

MANAGEMENT DISCUSSION AND ANALYSIS REPORT-2014

The Management of National Aluminium Products Co. SAOG is pleased to present the Management Discussion and Analysis Report for the year ended 31st December, 2014.

This report contains forward-looking statements, which reflect Management's current views and estimates. The forward-looking statements involve certain risks and uncertainties that could cause actual results to differ materially from those contained in the forward-looking statements. Potential risks and uncertainties include such factors as general economic conditions, foreign exchange fluctuations, competitive product and pricing pressures and regulatory developments.

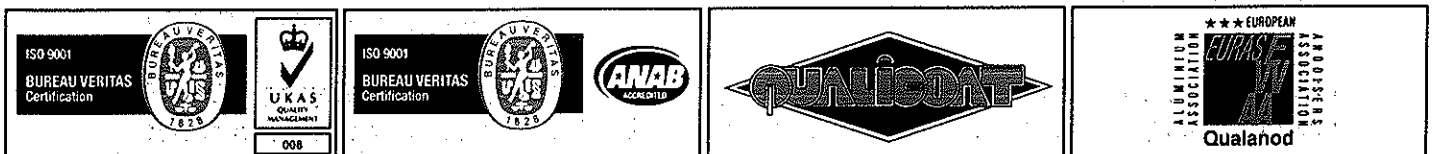
1. Industry Structure and Developments:

The GCC market has witnessed a steady growth of demand for aluminium extrusions over the last decade in tandem with the growth of the building and construction industry. At the same time, there has also been a continuous increase in manufacturing capacity due to entry of newer players and expansion by existing manufacturers.

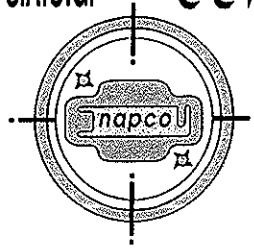
Installed capacity in the region is expected to witness further increases during 2015, much of which has probably been spurred by the apparently healthy demand foreseen in the construction industry in the region.

The Company is, however, reasonably well positioned in terms of its order pipeline and in terms of its strong base of delighted customers to face the increased competition in the future.

The Board has approved the capacity expansion in line with the Company's business strategy. Two additional extrusion presses are planned to be installed in a phased manner during 2015 and a powder coating plant which will substantially increase production capacity in anticipation of increases in sales volumes and the level of profits post expansion.



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2. Outlook:

If oil prices remain healthy, the construction industry in the GCC will be expected to remain on a growth path, which should translate into increased demand for aluminium extrusions.

The expansion programme undertaken will enable the Company to capture much larger volumes and spur its growth and sustain profits in the coming years.

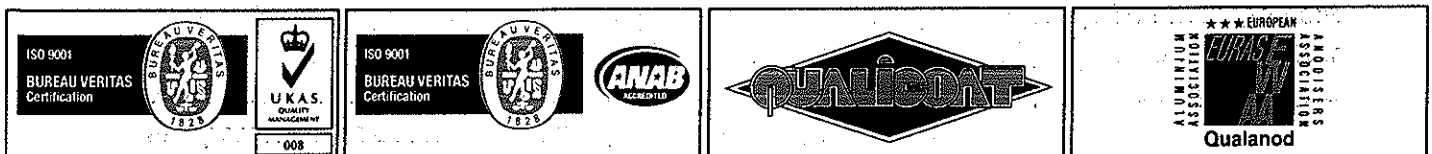
On the other hand, the aluminum extrusion business in the GCC is a mature industry and is expected to remain extremely competitive. Existing capacities coupled with those under implementation will be well in excess of projected demand. This has held true for the past several years. Consequently, margins will continue to remain under pressure. Aluminium price trends, which have a bearing on margins, could depend upon the pace of recovery of major global economies.

3. Strengths, Weaknesses, Opportunities and Threats:

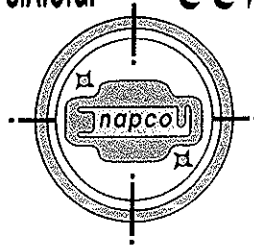
Strengths:

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.

The market however, continues to be extremely competitive with new entrants in the domestic sector and with additional capacities coming on stream in the GCC region. Despite this NAPCO firmly believes that as a reputed supplier of quality aluminium extrusion products that will retain and enhance its position in the markets NAPCO operates in. Going forward customer delight will also continue to be assured by the strength of the Company's systems, processes and key staff, which is the core competence of the Company.



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Weaknesses:

Competition in the immediate region, particularly in the GCC markets, is quite severe with supply exceeding prevailing demand. While the Company enjoys a strong position in its home market, this market is relatively small and therefore it must rely heavily on export markets which requires a much 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.

Management perceived the Company requires more of branding of its position and products and is formulating its marketing plan to generate more awareness in the market.

Opportunities:

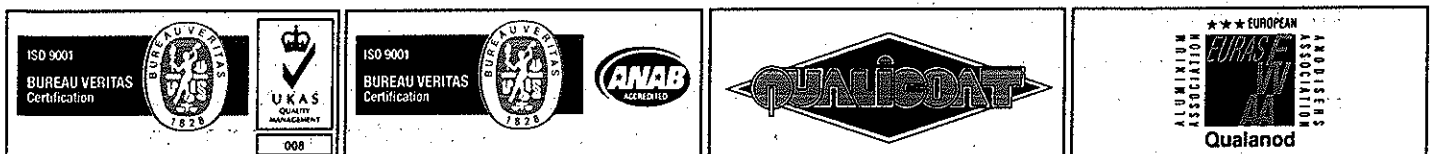
Given the outlook of construction industry described above, the Company with its diversified export markets and continued focus on value added products, will be better positioned to sustain both in terms of size and profitability in the coming years.

The demand for aluminium extrusions in the local, regional and international markets will continue as an important component in infrastructure building either for replacement and development which will drive Company's growth. NAPCO is uniquely positioned and well established due to its proven product quality, international accreditations, and excellent customer service levels.

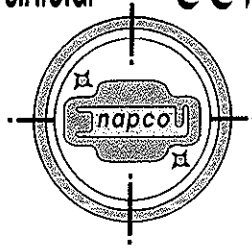
Threats:

By and large, aluminium price volatility will remain major uncontrollable external factor, 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.



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

Continuing the pattern of recent years, global growth remains fragile and highly uneven. While the US economy has continued to strengthen, the Euro-zone is teetering on the edge of another recession and the outlook for emerging markets is mixed at best. This renewed weakness has triggered a sharp correction in oil prices at a time of continued output gains in North America.

4. Analysis of segment and product-wise performance:

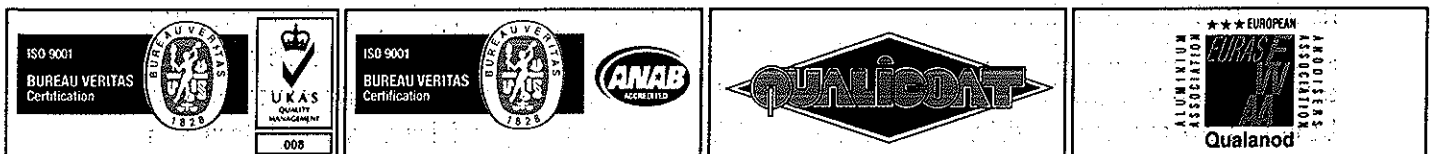
Segment reporting has been given separately in this annual report under notes to the financial statements (note no.27).

5. Risks and concerns:

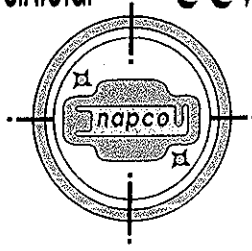
One of the most important risks in the Company's business is the ability to pass on fluctuations in the aluminum premium to the market.

The recent growth dynamics are increasing pressure on the Fed to continue its move towards tighter policy. Having unwound quantitative easing, Fed officials have been signaling that interest rates could begin to rise toward the middle of 2015 which will 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.



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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.

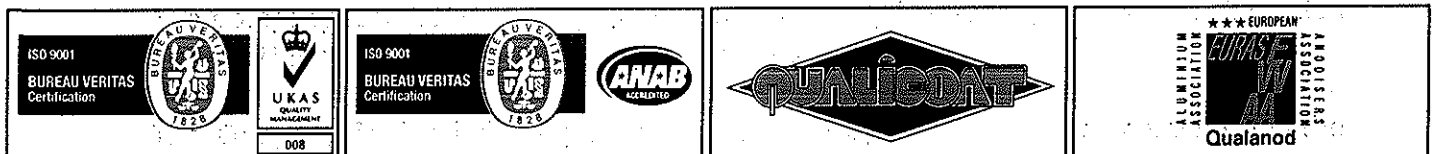
7. Discussions on financial and operational performance

With the structural changes in the Team, the Company managed to catch up the lost ground in the later part of the year with healthy increase in volume. Its performance, particularly during the later part of the year, reflects the rise in volume. Management believes the Company can penetrate more into the domestic market upon the completion of expansion program with different product segment requirements.

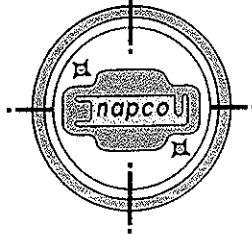
The Company focuses in training Nationals and already has arrangements with the Sultan Qaboos University (SQU) for suitable professionals.

The Company finalized the expansion programme by entering into agreements for the machinery from reputed suppliers from Europe. It awarded the contract for the construction of the facility after a thorough tendering process and operations on site are well under way.

The Company initiated the branding drive both in domestic and other markets. This will enhance visibility in the market for its product and quality which should directly have impact on the interest and volume.



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Sales turnover for the year stood at RO 19 million. The Company continued its focus on value added products. Profit After Tax RO 701K was achieved inspite of having higher wage bill and also the additional costs impact to mitigate the risk of dependence of one supplier for key raw material.

As disclosed earlier, due to expiry of limitation period for liability, the one off (non repeating nature) income of RO 292K (after tax RO 256K) has been accounted for in the year 2013 financial statements.

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

Chief Executive Officer

