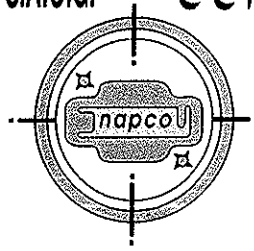


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## BOARD OF DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2014

Dear Shareholders,

It is my great pleasure to welcome you all, on behalf of the Board of Directors, with warm greetings to present the Audited Accounts along with the Auditors' Report for the financial year ending 31st December, 2014.

### Global economic environment

Global economic growth has been uneven in 2014 with a stronger year for the U.S. economy driven by rise in employment while the euro zone faced "triple-dip" recession with the recent announcement of the ECB measures to boost growth.

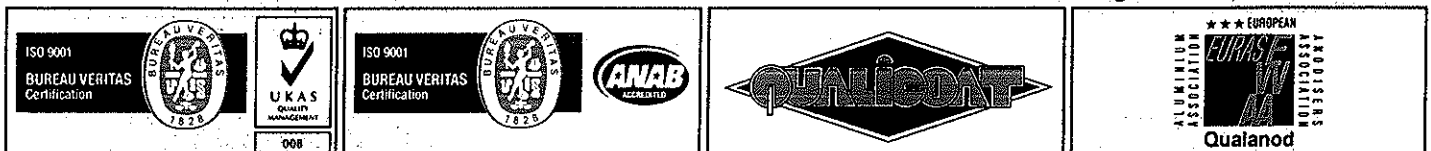
An exceptionally lengthy period of remarkable stability in crude oil prices came to an abrupt end towards the end of 2014 with oil prices stumbling down half, followed by a period of considerable volatility.

In spite of increased volatility in the global oil markets, economic growth in the GCC has remained robust with clear indications that infrastructure spending continues to underpin the growth momentum of the non-oil sector. In the immediate future, the Board believes that major projects announced by the Governments in the Region will be implemented but may be at slower pace than expected. This serves as an important source of economic resilience at a time of renewed weakness in much of the global economy.

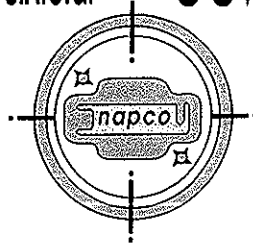
### Performance Review

Despite the difficult economic environment, your company's performance during 2014 was reasonably satisfactory as it achieved a profit after tax of RO701,000 compared to RO 1,177,290 in the previous year. The previous year's profit included a non-recurring income of RO 256,000.

The financial performance of the company in 2014, as compared to that of 2013, is summarized in the table below:



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Summary of Income Statement		
	RO in 000's	
	Year 2014	Year 2013 (including non-recurring income of RO 256K)
Sales	19,407	18,669
Net profit before tax	834	1,368
Provision for tax	133	191
Net profit after tax	701	1,177

### Sales

In 2014 the Company achieved revenues of RO19,407,00, an increase of 4% over previous year's Sales of RO 18,669,000. During the later part of the year, the Company managed to catch up on volumes lost during the initial period. Increases in sales volumes are attributable to better capacity utilization in the plant, increased market share, deeper penetration into domestic markets, wider product offering, improved service and more thrust on marketing initiatives. The Company is also focusing its efforts to increase sale volumes particularly in the higher margin domestic markets.

### Net Profit

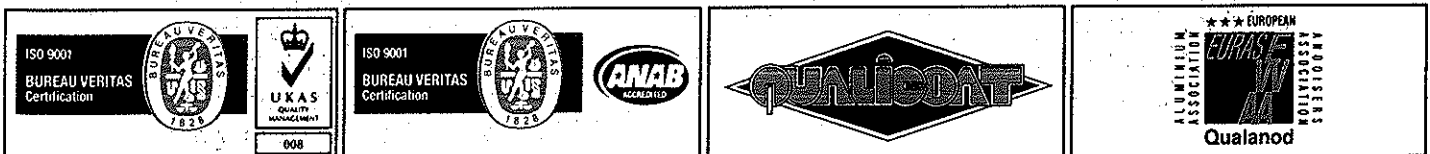
Net Profit has decreased primarily due to pressure on operating margins resulting from increased input costs, particularly of raw material price and increased wage bill. Also, due to increased competitive supplies from abroad and the market being very price sensitive, it has been difficult to transfer these increased costs to customers through higher selling prices commensurate with the increase in input price. Management implemented strategies during the year that will enhance cost efficiencies in the future.

### Dividend

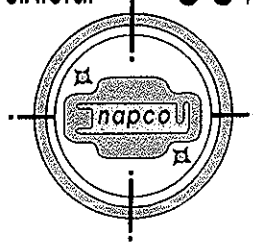
The Board of your Company recommends a dividend of 13% for the current year (previous year 2013: 12%) on the paid up capital of the company. The dividend proposed is subject to the approval of members in the ensuing Annual General Meeting.

### Future outlook

In general, growth dynamics across the GCC region continue to be characterized by a strong momentum in the non-oil economy alongside very modest growth in the oil economy. The regional markets, especially the GCC, remain promising for future growth with expansion of



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infrastructure projects in general and building and construction industry in particular. The Company expects public and private investment programmes will continue in the region.

The Company will continue to explore opportunities for growth in its traditional and new markets as the prospects for the aluminium extrusion industry look optimistic. The company will focus on strengthening its market position, improving its product offering and enhance further its marketing efforts.

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 pursue its strategy of creating long term value to all the stakeholders while ensuring sustainability in the operations.

### Capacity Expansion:

The Board has approved the capacity expansion in line with the company's business strategy on the basis of market research opportunity assessment carried out at earlier period of the year. The company will be installing two additional extrusions presses in phased manner and also installing a powder coating plant. The estimated cost of the expansion will be approximately RO 7.0 million including related civil construction. With the strategy devised, upon achievement, the company expects a substantial increase in volume and profitability post expansion.

The Company will focus on broadening local market shares well as more exports to GCC, African and Asian countries with consistent quality, improved service and concerted marketing efforts with strong focus on customer satisfaction.

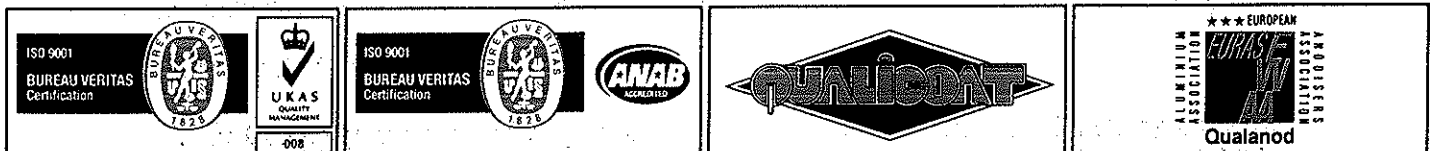
### Corporate Governance

Your Company has a sound corporate governance culture manifested with strong emphasis on transparency, accountability and integrity and our governance system is integrated with ethical business practices meeting the high standards expected by the Authorities.

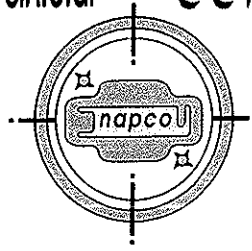
This Report contains a separate section confirming compliance with the Code of Corporate Governance issued by Capital Market Authority

### Health, Safety and Environment

In line with our commitment to the safety of our people, HSE continues to receive the highest priority in our organization and daily business activities have been carried out successfully without any Lost Time Injury (LTI) incident.



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### Omanisation

Your company has always paid special attention to recruitment and training of Omani employees and is committed to progressively attain high levels of Omanisation at all levels of hierarchy and skill sets within the organization. Management has recently engaged with the Sultan Qaboos University to attracting Nationals with engineering background and will intensify training the national workforce.

### Corporate Social Responsibility (CSR)

CSR in its essence is how the NAPCO manages the business processes to produce an overall positive impact on society. We believe in returning to society what we get from it and have therefore imbibed CSR in our ethical culture. The core areas for NAPCO's CSR programme are education, health & human service and environment.

### Acknowledgement & Appreciation

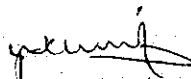
All members of the Board express their appreciation to all employees for their contribution in the achievement of our goals, their hard work, dedication and commitment. The enthusiasm and unstinting efforts of the employees have enabled the Company to remain at the forefront of the industry.

The Board also takes this opportunity to acknowledge and appreciate the support extended by all the investors, clients, vendors, banks, regulatory and government authorities, MSM and CMA and look forward to having the continued support from all of them.

Oman marches ahead in the pursuit of all round development despite a gloomy business environment globally. This was made possible for the vision and pragmatic and timely policies of His Majesty's Government.

I wish to place on record, personally and on behalf of the Board of Directors and employees, our deepest gratitude to His Majesty Sultan Qaboos Bin Said and His Majesty's Government for their generous encouragement, support and guidance.

For & on behalf of the Board of Directors  
National Aluminium Products Co. S.A.O.G.

  
Sayyid Wasfi Jamshid Abdullah Al Said  
Chairman

