



**BOARD OF DIRECTORS' REPORT
FOR THE YEAR ENDED 31ST DECEMBER, 2015**

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, 2015.

Global economic environment

An exceptionally lengthy period of remarkable stability in crude oil prices came to an abrupt end towards the end of 2014 and continued in 2015 with oil prices stumbling down, followed by a period of considerable volatility. Oman registered a modest growth during the year and the decline in Government spending will mean reduction in investment in projects.

The business environment of the aluminum extrusion industry is challenging characterized by competitive supply sources from abroad and the impact of subdued oil prices on the construction industry.

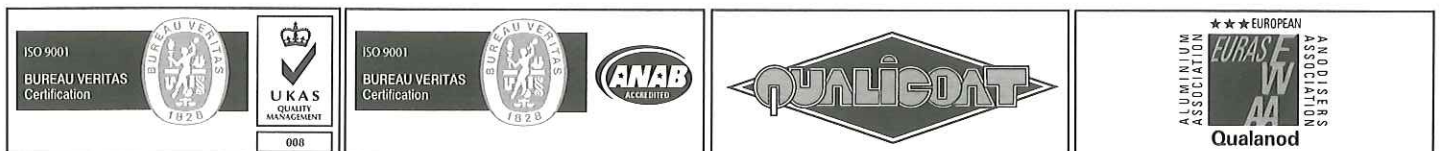
Performance Review

The financial performance of the company in 2015, as compared to that of 2014, is summarized in the table below:

	RO in 000's	
	Year 2014	Year 2015
Sales	19,407	24,780
Net profit before tax	834	882
Provision for tax	133	103
Net profit after tax	701	779

Sales

In 2015 the Company achieved revenues of RO 24.8 Million compared to RO 19.4 Million during the previous year, an increase of 28%. The company managed to increase the capacity utilization of the existing plant, widen product offering, improve client service and, with more focused marketing initiatives, deepened penetration into domestic markets to capture wider market share.





Net Profit

Net Profit achieved in 2015 was RO 0.78 Million compared to RO 0.70 Million during the previous year, an increase of 11% despite pressures on operating margins from increased input costs, particularly of raw material price and increased wage bill. Moreover, in a price sensitive environment filled with increased competitive supplies from abroad, it has been difficult to transfer these increased costs to customers through higher selling prices. Management implemented strategies during the year that will enhance cost efficiencies in the future.

Dividend

Recognising the challenging business environment and difficulties ahead, the Board recommends a cash dividend of 13% (Thirteen Baiza per share) from the distributable surplus of the company subject to the approval of Shareholders at Annual General Meeting.

Future outlook

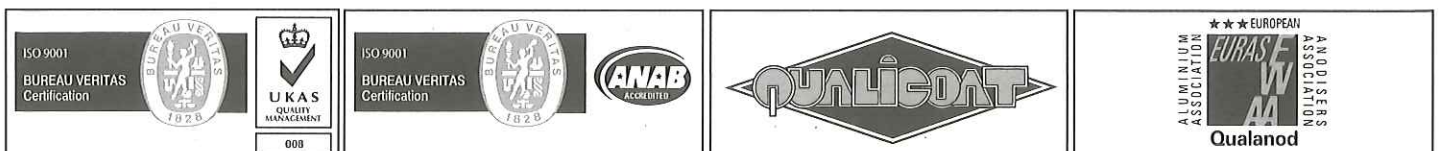
For the near term, the Board expects that major projects announced by the Governments in the Region will be implemented, possibly with private sector participation, but at a much slower pace than originally planned. Major projects may be delayed, but markets in the GCC anticipate growth with expected investments in infrastructure projects and building construction. Management maintains optimism on getting volume orders in Oman and GCC markets during 2016.

Management will continue to explore opportunities for growth in its traditional and new markets it has been capturing during recent years by focusing on consolidating its market position through enhanced service and product offerings.

Management places great importance on operational excellence to achieve continuing successes. With a strong Team now on board, Management will pursue its strategy of creating long term value to all the stakeholders while ensuring sustainability in operations.

Capacity Expansion:

The company is installing two additional extrusions presses in phased manner and a vertical powder coating plant. Commercial production on these is scheduled to start by end of April 2016. The estimated cost of the expansion is RO 7.0 million including related civil construction of a new factory building.





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.

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 support of the Ministry of Manpower and several technical colleges to place 31 Nationals with engineering background and will intensify training the national workforce.

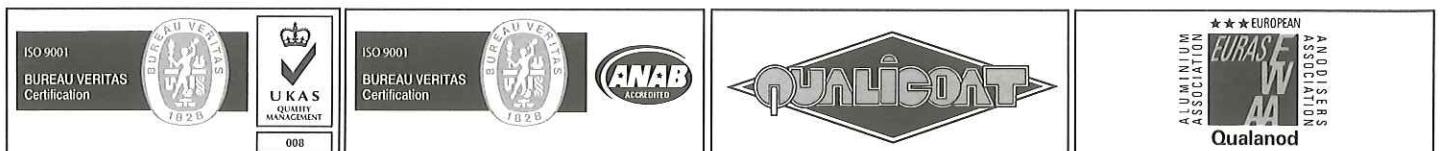
Corporate Social Responsibility (CSR)

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.



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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.

Raffy Manoug Kozadjian
Deputy Chairman

