



# SALALAH PORT SERVICES CO. SAOG RESULTS FOR THE QUARTER ENDED 31<sup>ST</sup> MARCH 2015

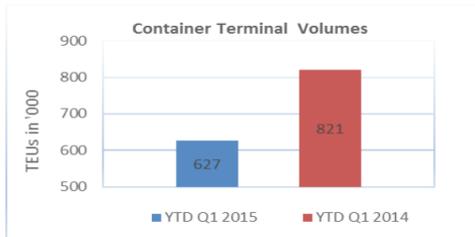
## Dear Shareholders,

On behalf of the Board of Directors, I have the pleasure in presenting the unaudited consolidated financial results of your company for the quarter ended March 31, 2015 (Q1 2015).

Overall, Port of Salalah continues to achieve considerable volume growth at the General Cargo Terminal (GCT), which reflects the role of the port in supporting local businesses expansion and growth. However, transshipment volumes at the Container Terminal (CT) have declined as compared to the corresponding period last year.

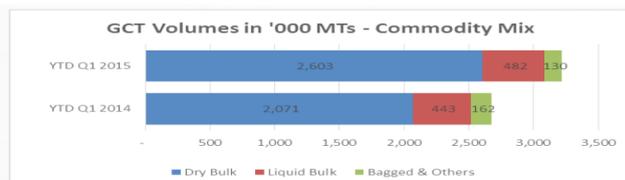
## Company Performance

The CT has handled 627k TEUs (Twenty-foot Equivalent Units) during Q1 2015, which is a 24% decline against the same period last year, due to ongoing fluctuating volumes from the port's major customers. The Management has been pursuing an increase in share of business from existing customers and actively endeavors to attract new customers.



On productivity, the CT has registered consistent improvements. Berth Moves per Hour (BMPH) is at 94.35 BMPH, which is an 8% improvement as compared to the same period last year. This showcases the organization's success in focusing on continuous improvements.

The GCT has handled 3.215 million tons of general cargo during Q1 2015, recording an increase of 20% over Q1 2014. The major commodities handled are namely limestone, gypsum, methanol and cement, which are exported from Salalah to nearby markets, and continue to drive the general cargo business.



## Financial Overview

**Consolidated net profit** for Q1 2015 was recorded at RO 1,329 million, which is 22% below the corresponding period last year at RO 1,704 million.

**Consolidated EBITDA** was recorded at RO 3,871 million for Q1 2015 at an EBITDA margin of 31%, at same margin during Q1 2014.

**Revenues** of GCT have decreased by 4% compared to the same period last year whereas the CT revenue has decreased by 15% as compared to corresponding period last year. The general cargo volumes handled at Berth 31 have been included in the container

terminal financials, as in the previous year, due to the conversion of the berth into a container terminal facility.

**Direct operating costs** comprising direct manpower costs, repairs & maintenance costs, energy costs and marine costs, have decreased by 5% compared to the corresponding period last year.

**Concession costs** consisting of costs on account of ground rent, fixed and variable royalty, have decreased by 22% compared to same period last year, mainly due to lower results at CT and management fees decreased by 3% compared to same period last year.

**Administration and General costs** have decreased by 19% as compared to the same period last year mainly due to lower systems and communication cost, legal and professional fees, office rent and provision for impairment of receivables.

**Financing costs** were 18% lower as compared to same period last year on account of repayment of debts.

Year	Particulars	1 Jan 2015 to 31st Mar 2015	1 Jan 2014 to 31st Mar 2014
<b>Volume</b>			
3,034	Container Terminal (TEUs'000)	627	821
10,314	General Cargo Terminal (Tons'000)	3,215	2,676
53,533	<b>Revenue (RO'000)</b>	<b>12,563</b>	14,120
<b>Profitability (RO'000)</b>			
6,221	Net Profit before tax	1,507	1,932
5,262	Net Profit after tax	1,329	1,704
<b>Ratios</b>			
9.83	Net profit margin (%)	10.58	12.07
0.029	Earnings per share (RO)	0.007	0.009
0.270	Book value per share (RO)	0.261	0.245

## Employee Development

Port of Salalah is steadfast in developing and enhancing employees' productivity as people are the primary asset of the company. Various safety, technical, management and administration trainings are imparted to the staff.

Safety continues to be maintained as a top priority to ensure that employees continue to perform and deliver their tasks safely. Raising the level of safety performance has also resulted in reduced work injuries and has encouraged corrective behavior action plans for employees to perform safely at their work place.

## Corporate Social Responsibility (CSR)

Company support charitable initiatives which impact large segments of communities. During Q1 2015 the company has committed RO 26k in local initiatives with a significant focus on education, as well as SME development, environment, safety, health and sports.

## Future Outlook

Port of Salalah is among the world's top transshipment ports and continues to provide an important service to the global supply chain. It provides a significant opportunity for businesses to benefit from the Salalah Hub network of multi-modal transport (sea-air-road) and Salalah Free Zone incentives. Focus of attention continues to address the drop in volumes and also diversify the customer mix.

In addition to transshipment volumes, the political crisis in Yemen

has opened up an opportunity to utilize the port of Salalah as a Gateway port for Eastern Yemen. We have already seen an uptick in interest from Yemeni cargo owners, shipping lines, and aid agencies alike. Actively working to promote Salalah as the Gateway for Eastern Yemen, and if successful, could prove to be a very lucrative additional source of revenue for the company.

In the immediate term, the company has succeeded in its efforts to secure a common feeder network in Salalah. The connection will allow the terminal to attract lines to use Salalah to cater to Yemen which is presently done via Jeddah. The feeder service is expected to commence soon after Yemen situation allows for container vessels to recommence calls.

An MOU to develop an off dock in the Muscat governorate is being finalized which includes providing a trucking service. This will allow north Oman businesses to leverage the direct connectivity at Salalah and therefore faster transit time at competitive prices. Company plans to have the service operational by June 2015. Company has also submitted an expression of interest to operate the South Batina Logistics Hub (SABLA).

The outlook for the general cargo terminal is positive. The growth in Limestone and Gypsum mining activities is expected to continue growing during 2015. GCT expansion/refurbishment remains a challenge, to ensure handling of the growing volume from aggregate customers during 2015 and beyond. The challenges facing the port will increase as volumes increase. Limitations are due to road conditions, gate access, storage capacity and productivity due to loading process. The port has incentivized the utilization of the STS and Gottwaldov cranes and believes that this will improve utilization and productivity.

The Oman Rail Company is investigating the feasibility of the Thumrait/ Salalah line and a positive outcome is expected.

## Conclusion

On behalf of the Board of Directors and the Shareholders of the company, we record the sincere appreciation and gratitude to His Majesty Sultan Qaboos Bin Said, for his strategic vision, leadership, and his continued support, without which it would not have been possible to establish and maintain this world-class port.

We also thank our customers, investors, and partners at the Salalah Hub and Ministry of Transport and Communications, and members of the Government bodies we work together with.

Finally, I am proud to place on record our appreciation for the contributions of all our employees, who continue to perform with high distinction.

On behalf of the Board of Directors,

Ahmed Bin Nasser Al Mahrizi  
Chairman of Board of Directors  
Salalah Port Services Co. SAOG  
May 13, 2015

## Unaudited Consolidated statement of comprehensive income For the quarter ended 31st March 2015

31-Mar-14 US \$ '000	31-Mar-15 US \$ '000		31-Mar-15 RO'000	31-Mar-14 RO'000
36,710	32,662	Revenue	12,563	14,120
(19,881)	(18,790)	Direct operating costs	(7,226)	(7,646)
(4,779)	(4,139)	Other operating expenses	(1,592)	(1,838)
(6,064)	(4,931)	Administration and general expenses	(1,895)	(2,330)
294	146	Other income	56	113
6,280	4,948	<b>Profit from operations</b>	<b>1,906</b>	<b>2,419</b>
(1,266)	(1,038)	Finance costs	(399)	(487)
5,014	3,910	<b>Profit for the period before tax</b>	<b>1,507</b>	<b>1,932</b>
(593)	(463)	Income tax	(178)	(228)
4,421	3,447	<b>Profit for the year</b>	<b>1,329</b>	<b>1,704</b>
<b>Other comprehensive income</b>				
<b>Items that will be never reclassified to profit or loss</b>				
-	-	Revaluation of property, plant and equipment	-	-
-	-		-	-
<b>Items that are or may be reclassified to profit or loss</b>				
(10)	15	Fair value change of investments	6	(4)
(161)	(358)	Net movement in cash flow hedges	(138)	(62)
(171)	(343)		(132)	(66)
(171)	(343)	Other comprehensive income for the period, net of tax	(132)	(66)
4,250	3,105	<b>Total comprehensive income for the period, net of tax</b>	<b>1,197</b>	<b>1,638</b>
<b>Profit attributable to :</b>				
4,424	3,450	Equity holders of the parent	1,330	1,705
(3)	(3)	Non-controlling interests	(1)	(1)
4,253	3,107	<b>Total comprehensive income attributable to :</b>	<b>1,198</b>	<b>1,639</b>
(3)	(3)	Non-controlling interests	(1)	(1)
0.02	0.02	<b>Basic earnings per share (US \$ / RO )</b>	<b>0.007</b>	<b>0.009</b>

## Unaudited Consolidated statement of financial position as of 31st March 2015

31-Mar-14 US \$ '000	31-Mar-15 US \$ '000		31-Mar-15 RO'000	31-Mar-14 RO'000
<b>ASSETS</b>				
<b>Non Current Assets</b>				
209,568	194,619	Property and equipment	74,853	80,605
546	504	Intangible assets	194	210
702	16,377	Available-for-sale investments	6,299	270
10,400	13,000	Term deposits	5,000	4,000
221,216	224,501		86,346	85,085
<b>Current Assets</b>				
4,132	3,703	Inventories	1,424	1,589
35,643	21,228	Trade and other receivables	8,165	13,709
10,015	10,000	Short term deposits	3,846	3,852
50,000	29,109	Cash and cash equivalents	11,196	19,231
99,790	64,040		24,631	38,381
321,006	288,541	<b>TOTAL ASSETS</b>	<b>110,977</b>	<b>123,466</b>
<b>EQUITY</b>				
46,758	46,758	Share capital	17,984	17,984
7,666	7,666	Share premium	2,949	2,949
14,690	15,584	Legal reserve	5,994	5,650
(6,037)	(4,079)	Hedging deficit	(1,569)	(2,322)
182	257	Fair value reserve	99	70
51,124	55,924	Retained earnings	21,514	19,667
114,383	122,111	Equity attributable to equity holders of the parent company	46,971	43,998
97	91	Non controlling interests	35	37
114,480	122,201	<b>TOTAL EQUITY</b>	<b>47,006</b>	<b>44,035</b>
<b>LIABILITIES</b>				
<b>Non Current Liabilities</b>				
106,792	69,644	Loans and borrowings	26,787	41,074
18,595	19,263	Deferred tax	7,409	7,152
4,821	5,346	Employees' end of service benefits	2,056	1,854
3,611	2,059	Derivative financial instruments	792	1,389
133,819	96,312		37,044	51,469
<b>Current Liabilities</b>				
41,690	50,439	Trade and other payables	19,393	16,033
11,690	-	Dividend accrued	-	4,496
16,900	17,569	Loans and borrowings	6,757	6,500
2,426	2,020	Derivative financial instruments	777	933
72,706	70,028		26,927	27,962
206,525	166,340	<b>TOTAL LIABILITIES</b>	<b>63,971</b>	<b>79,431</b>
321,006	288,541	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>110,977</b>	<b>123,466</b>
0.64	0.68	<b>Net assets per share (US \$ / RO )</b>	<b>0.261</b>	<b>0.245</b>