



SALALAH PORT SERVICES CO. SAOG RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

Dear Shareholders,

On behalf of the Board of Directors, I have the pleasure in presenting the annual report of your company along with the audited accounts for the year ended 31st December 2015. Salalah Port Services Co. (SAOG) (Port of Salalah) has recorded historical new highs in volumes handled at General Cargo terminal (GCT), which has to some extent offset a decline in Container Terminal (CT) transshipment volumes handled during the year 2015 as compared to the year 2014. Nonetheless, the company has achieved a fruitful year in many tangible operation areas including productivity and safety, which reflects the company's consistent performance.

Company Performance

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 in Oman's balance of trade. This is keeping in line with the port's strategy to diversify the company's revenue flow while increasing local businesses' import and export by sea. In the early part of the year transshipment volumes at Container Terminal (CT) were negatively impacted by the rationalization of the services of our two largest customers and increased regional competition, however because of improved productivity levels we were able to reverse this trend in the last quarter. Port of Salalah has therefore retained its position amongst leading global container ports worldwide both in terms of throughput and service levels.

The GCT has handled 12.543 million tons during the year 2015 as compared with 10.314 million tons in the year 2014. The CT has handled 2.569 million TEUs (twenty-foot equivalent unit) against 3.034 million TEUs in the year 2014.

The Company's top priority is ensuring the safety of its employees, contractors and customers, and to this end, the company continues to invest in technology and infrastructure to minimize the risk.

The Company continues to focus improvements through various initiatives to maintain operations of a world-class terminal. GCT Liquid Jetty Project was inaugurated by Ministry of Transport and Communication on 14th December 2015, after realization of major project deliverables.

Financial Overview

The consolidated revenues are recorded at RO 49.508 million, a decrease of 7.5% over the previous year mainly due to lower container volumes. Despite drop in revenues the consolidated net profit realized for the year was RO 5.182 million (as compared to RO 5.262 million in the year 2014) due to a number of Take Cost out initiatives implemented by the company. During 2015, your company distributed 15% annual dividend pertaining to year 2014. Taking into account the emerging market conditions for international trade the Board of Directors are pleased to recommend the distribution of dividend of 15% on the paid-up equity share capital of the company. This equates to 15 baizas per share resulting in a total cash disbursement of RO 2.698 million.

Dividend history for the last 5 years

	2010	2011	2012	2013	2014
Dividend %	25%	15%	25%	25%	15%
Cash outlay (RO'000)	4,495	2,697	4,495	4,495	2,698

Employee Development

Our people contribute to the success of the company. In order for the company to stay competitive it needs to remain at the cutting edge of the industry with continued education on procedures, technologies and best practices. The company continues to invest in training and development of its workers, with a focus on enhancing the Omanization and skills development of local talent.

Corporate Social Responsibility (CSR)

Port of Salalah strongly believes in a CSR program that is aligned with the pillars of sustainability and volunteerism and it is fundamental to our business. The company has invested RO 54K in CSR

initiatives during 2015 contributing to the local Dhofar region in which we operate as well as segments of communities requiring support.

Education, SME development, environment safety, health and sports are the major focus areas of sponsorship.

Future Outlook

While the Global economic outlook for the year 2016 is increasingly negative, the Commercial prospects for the Port of Salalah are positive in most areas. On the Container Terminal (CT), the trend in the 2nd half of year 2015 was positive with more volumes and additional services added, and we believe the same trend shall continue in the year 2016. The global shipping market is facing an unprecedented glut in supply and reduced demand in 2016 which is increasing the shipping lines' reliance on transshipment hub ports like Salalah to increase network efficiency.

On the General Cargo side, we had a record volume of dry bulk handled in the year 2015 and all indications show that year 2016 will too be a good year. The gypsum exports have been driving the increased volumes, and new and additional mining operations have commenced in year 2016. The Limestone exports continue to grow as well, in spite of a reduction in demand from India, which was the primary importer of Omani Limestone in previous years. The Limestone exporters have mitigated the impact of the reduction in demand in India by diversifying their customer portfolios to include customers in Africa and Far East Asia, and this has allowed them to maintain their export volumes and grow in a challenging environment.

The Company would focus to increase the reach of our hinterland and to encourage more Import and Export volumes in and out of Salalah. We will continue to work to identify additional shipping lines that could benefit from utilizing Salalah as a network hub as well as seek out additional services from our current customers. Additionally, we will focus on developing value added services to provide additional services to our customers and provide opportunities to add revenue.

Due to drop in oil prices government has initiated various measures, including reducing various subsidies and increasing corporate taxes, to increase its revenues. Such measures shall impact costs and potentially the profitability of the company. The full impact will materialize over the course of the year.

We continue our commitment to uphold the company's standing as an excellent corporate citizen.

Conclusion

On behalf of the Board of Directors and the shareholders of the company, I 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.

I also thank our customers, investors, Lenders and the members of the government we work together with daily.

Lastly, but certainly not least, I place on record our appreciation for the contributions made by our employees in achieving the level of performance in 2015. Our consistent growth was possible by their hard work, solidarity, cooperation and support.

On behalf of the Board of Directors,

Ahmed Bin Nasser Al Mahrizi
Chairman of Board of Directors,
Salalah Port Services Co. SAOG
February 10, 2016

Audited consolidated statement of comprehensive income For the year ended 31 December 2015

2014	2015	2015	2014
US \$'000	US \$'000	RO'000	RO'000
139,184	128,722	49,508	53,533
(80,410)	(78,088)	(30,034)	(30,928)
(15,461)	(17,411)	(6,696)	(5,947)
(23,574)	(18,503)	(7,117)	(9,065)
1,670	3,788	1,457	642
21,409	18,508	7,118	8,235
(5,236)	(3,846)	(1,479)	(2,014)
16,173	14,662	5,639	6,221
(2,494)	(1,188)	(457)	(959)
13,679	13,474	5,182	5,262
	Other comprehensive income		
	Items that are or may be reclassified to profit or loss		
50	10	4	19
2,155	1,781	685	829
2,205	1,791	689	848
15,884	15,265	5,871	6,110
	Profit attributable to:		
13,684	13,482	5,185	5,264
(5)	(8)	(3)	(2)
13,679	13,474	5,182	5,262
	Total comprehensive income attributable to:		
15,889	15,273	5,874	6,112
(5)	(8)	(3)	(2)
15,884	15,265	5,871	6,110
0.08	0.08	0.029	0.029

Audited consolidated statement of financial position As at 31 December 2015

2014	2015	2015	2014
US \$'000	US \$'000	RO'000	RO'000
197,310	186,207	71,618	75,890
515	476	183	198
762	772	297	293
13,000	39,000	15,000	5,000
211,587	226,455	87,098	81,381
	Current assets		
3,703	3,871	1,490	1,424
21,235	20,420	7,854	8,167
36,000	23,400	9,000	13,846
35,909	9,264	3,564	13,811
-	70	27	-
96,847	57,025	21,895	37,248
308,434	283,480	109,033	118,629
	EQUITY		
46,758	46,758	17,984	17,984
7,666	7,666	2,949	2,949
15,584	15,584	5,994	5,994
(3,721)	(1,940)	(746)	(1,431)
242	252	97	93
59,489	65,957	25,369	22,882
	Equity attributable to equity holders of the parent company		
126,018	134,277	51,647	48,471
94	86	33	36
126,112	134,363	51,680	48,507
	LIABILITIES		
	Non-current liabilities		
85,616	46,430	17,857	32,929
18,801	16,944	6,517	7,230
5,286	5,686	2,187	2,033
1,805	682	262	694
111,508	69,742	26,823	42,886
	Current liabilities		
47,302	54,902	21,117	18,193
21,596	23,215	8,929	8,306
1,916	1,258	484	737
70,814	79,375	30,530	27,236
182,322	149,117	57,353	70,122
308,434	283,480	109,033	118,629
0.70	0.75	0.287	0.270