Directors' Report

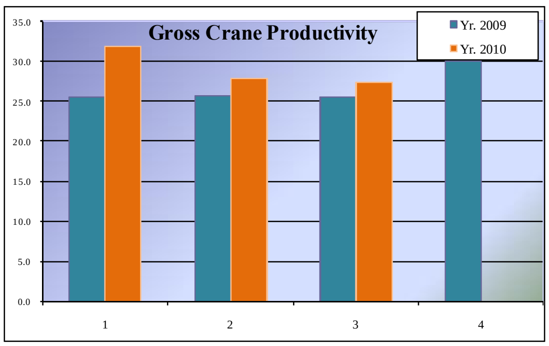
On behalf of the Board of Directors, I am pleased to present the Unaudited consolidated financial results of Salalah Port Services Co. (SAOG) and its subsidiary for the nine months ended 30 Sep 2010.

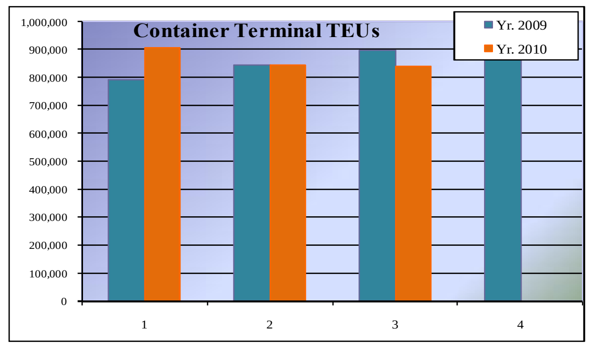
Macro economics:

The economic recovery continued during the year. The volumes have recovered faster than expected and the expectations among the industry experts are a growth of 10%. However, the markets have fundamentally changed and the term ñNew Normalò would mean uneven growth in world markets. It is expected that the mature markets would see slower growth of 0-5% in the medium term while some emerging markets such as Africa, South America, Easter Europe, India and China will see up to 20% annual growth.

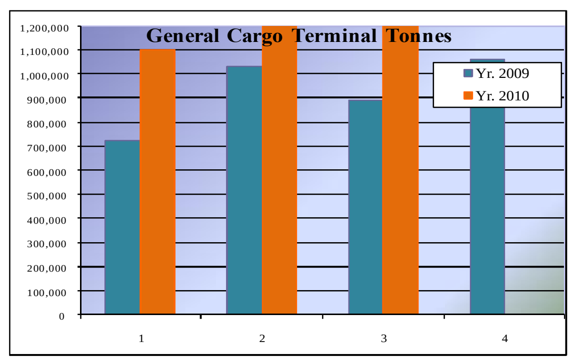
Business Review:

The Container terminal recorded a throughput of 2,590 K TEUõs in the first 3 quarters of 2010, a growth of 2% for the period under review compared to same period last year. Productivity at the container terminal increased to an average of 29.1 GMPH from 25.7 GMPH for the period under review as compared to last year. This was a result of various measures such as improve operational efficiencies, including several incentive programs for the workforce etc.





The General Cargo Terminal recorded a throughput of 4.48 million tonnes during the first nine months of the year, a significant growth of 68% as compared to the same period last year. An increase in dry bulk volumes along with wet bulk volumes of free zone were the key contributors to the increase. The general cargo terminal will continue to play a dominant role in the economic development of the region by providing and facilitating the export of commodities such as limestone, gypsum, cement and commodities originating to and from the free zone.



Financial highlights:

Consolidated Revenues for first nine months were RO 38.17 million as against RO 34.56 million for same period in 2009. Container Terminal and the General Cargo Terminal registered volume growth of 2% and 68% respectively over same period in 2009.

Direct operating costs were higher compared to same period in 2009 due to Depreciation and Refurbishment costs of cranes. The manpower costs marginally decreased by 1% as compared to the same period in 2009 due to initiatives to optimise manpower since 2nd quarter 2009 thereby adjusting the manning structure based on volume trends.

Other operating costs for first nine months increased by 40% over same period in 2009 mainly due to higher concession costs and management fees based on increased volumes and profits.

General and administration costs for the first nine months were lower by 3% as compared to same period in 2009 due to several cost reduction initiatives implemented at the terminal.

Financing costs for the period increased by 29% over same period in 2009 due to increased drawdown of term loans to pay capital commitments on procurement of quay cranes, RTGs, tractors and trailers etc. during 2009. Additional draw down of RO 4.61 were made during the Q2 2010.

Income tax includes an accounting adjustment of RO 457K on deferred tax in Q2 2010.

Consolidated net profit for first nine months was recorded at RO 3.48 million as compared to RO 2.938 million the same period in 2009.

Year 2009		**1 January 2010 to 30 September 2010**	**1 January 2009 to 30 September 2009**
	Volume'000		
3,493	Container Terminal – TEU	**2,590**	**2,532**
3,722	General Cargo Terminal – Tonnes	**4,474**	**2,658**
47,680	**Revenue'000**	**38,173**	**34,561**
26.6	Gross Productivity - *Moves per hour*	**29.1**	**25.7**
	Profitability		
5,281	Net Profit before tax (RO'000)	**3,464**	**3,316**
4,535	Net Profit after tax (RO'000)	**3,484**	**2,938**
	Ratios		
10%	Net profit margin	**9%**	**9%**
0.025	Earnings per share (RO)	**0.019**	**0.016**
0.221	Book value per share (RO)	**0.210**	**0.206**

Developments and outlook:

The company expects higher volumes in Q4 as compared to the other quarters mainly due to the expected rise in trade on the Asia Europe trade on account of the Christmas shipments on the container terminal. General cargo terminal business is geared to register a robust growth over 2009 volumes due to strong volumes in the dry bulk segment. Management continues to prioritise on its costs reduction program by taking unwarranted costs out. Management expects to achieve RO 5.5 mil in net profitability for the year 2010.

Abdul Aziz Ali Shanfari
Chairman