



DIRECTOR'S REPORT FOR THE THREE MONTHS PERIOD ENDED 31ST MARCH, 2019

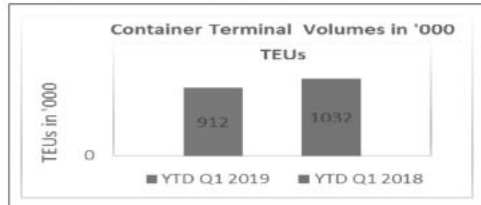
Dear Shareholders,

On behalf of the Board of Directors, I have the pleasure in presenting the unaudited consolidated financial results of your company for the first quarter ended March 31, 2019 (Q1 2019).

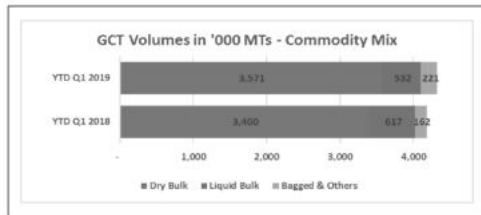
Company Performance

During Q1, 2019 the Container Terminal (CT) handled 912K TEUs – compared to 1,032 mil TEUs in corresponding period last year; a reduction of 12%. The drop in container volume is due to reduction in available capacity following Cyclone Mekunu in May 2018.

On productivity, the CT has registered a marginal increase in Berth Moves per Hour (BMFH) during Q1 2019. Management continues to focus to improve productivity levels.



The GCT has handled 4.324 million tons of general cargo during Q1 2019, recording an increase of 3% as compared to Q1 2018. The major commodities handled are 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, 2019 was recorded at RO 1.625 million, as compared to the corresponding period last year at profit of RO 1.720 Million.

Consolidated EBITDA was recorded at RO 4.523 million during Q1, 2019 at an EBITDA margin of 27%, as compared to RO 4.205 million (at margin 27%) during same period last year.

Revenues of GCT have increased by 23% compared to the same period last year and the CT revenue has increased by 3% as compared to corresponding period last year. The general cargo revenue for 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.

The total Revenue include OMR 804k & total expenses are net of OMR 254k towards write back of accruals no longer required. With the IFRS 16 coming into effect from January 1, 2019 the total expenses include OMR 132k towards an estimated impact of IFRS 16 pertaining to concession agreements & other long term leases.

As previously reported Port of Salalah faced a catastrophic cyclone Mekunu during May 2018. During Q1 2019 the Container terminal facility still face reduced safe Operating capacity due to damage assessment and restoration of equipment. Total Expenses during Q1 2019 include cyclone related costs amounting to OMR 1,165K. The insurance claim assessment is ongoing.

Mekunu claim led to key insurers withdrawing from the renewal of port package Policy that caused a significant increase in premium rates. The port policy expiring on March 31, 2019 was renewed at a higher premium of about OMR 2,416K pa.

Year 2018	Particulars	1st Jan 2019 to 31st Mar 2019	1st Jan 2018 to 31st Mar 2018
3,385	Volume		
16,201	Container Terminal (TEUs'000)	912	1,032
	General Cargo Terminal (Tons'000)	4,324	4,179
56,330	Revenue (RO'000)	16,705	15,429
6,314	Profitability (RO'000)	1,912	2,108
5,303	Net Profit before tax	1,625	1,739
	Ratios		
9.41%	Net Profit / (Loss) (%)	9.72%	11.27%
0.029	Earnings per share (RO)	0.009	0.010
0.326	Book value per share (RO)	0.320	0.306

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 encouraged corrective behavior action plans for employees to perform safely at their work places.

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. Impacting the local Dhofar region and benefitting the larger segments of communities requiring support are the guiding post of the company CSR program.

Future Outlook

Global trade growth continues to lose momentum from 4.6 % in 2017 to 3 % in 2018 with WTO's expectation for it to slide to about 2.7 % in 2019. The WTO has attributed this to the growing trade tension with increasing risk of new tariffs and retaliatory measures impacting trade growth.

The shipping lines have started seeing this impact the spot rates on the main Asia Europe trade which dropped to a 12 month low. Both the Ocean Alliance and the Alliance have initiated capacity management measures with blank sailings and lines like HMM have deferred the planned increase in capacity on our services.

Regional transhipment business, which is the backbone of Salalah's container terminal remains stable and the terminal continues to operate close to its partially reduced Safe Operating Capacity due to Cyclone Mekunu. Restoration of lost capacity is expected during Q3 2019 with the envisaged completion of repairs and delivery of equipment. The management is proactively engaging with both existing and potential customers to fill the augmented capacity.

As per a recent analysis published by Alphatiner, about 25 % of the container fleet is above 12,500 TEU size, 61 % of all the present global order book are above this size. This is a clear indication of shipping lines continued focus on upsize their vessel fleet which will require hub terminals like Salalah to invest in upgrade in its capabilities to safely handle these large vessels.

The general cargo side of the business continues to be steady. The growth trajectory that was seen in the aggregates exports has flattened out in Q1 2019 as compared to the similar period in 2018.

The potential development of an alternate mineral hub undermine long term development and capex plans for serving this segment. Clarity is being sought from the Government on its plans to decide on the long term strategy. The management continues to implement its commercial strategy for cargo and commodity diversification.

Overall, Salalah continues to develop on its strong base and leverage the existing network, connectivity and customer base to support the development of economic activity in its hinterland.

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.

We 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 Mehzi
Chairman
Salalah Port Services Co. SAOG
May 09, 2019

UN-AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

31-Mar-19 US \$ '000	31-Mar-19 US \$ '000	31-Mar-19 RO'000	31-Mar-19 RO'000
168,776	196,986	75,749	64,913
385	Property and equipment	132	132
13,000	Intangible assets	-	5,000
-	Term deposits	-	-
162,171	197,314	75,887	70,045
6,098	Current Assets	2,008	2,065
35,950	Inventories	15,224	13,845
13,000	Trade and other receivables	13,000	5,000
27,281	Short term deposits	9,345	10,485
-	Cash and cash equivalents	-	-
82,354	100,483	38,647	31,675
-	Total current assets	38,647	31,675
-	Non Current Asset held for Sale	908	-
82,354	101,894	39,155	31,675
264,525	299,117	115,042	101,740
46,758	EQUITY	17,984	17,984
7,666	Share capital	2,949	2,949
15,587	Share premium	9,954	9,954
(99)	Legal reserve	-	(38)
73,154	Hedging deficit	30,618	28,137
-	Retained earnings	-	-
143,066	149,611	57,546	55,026
138	Equity attributable to equity holders of the parent company	54	53
-	Non controlling interests	-	-
143,204	149,777	57,600	55,079
17,396	LIABILITIES	5,813	6,691
7,865	Non Current Liabilities	3,169	3,025
-	Deferred tax	13,000	-
-	Employee' end of service benefits	-	-
-	Other Long term Liabilities	22,962	9,716
25,261	98,968	22,962	9,716
72,750	Current Liabilities	30,369	27,953
29,213	Trade and other payables	-	9,829
99	Leases and borrowings	-	38
-	Derivative financial instruments	-	-
96,069	90,778	35,369	36,950
121,321	149,336	57,431	46,661
264,525	299,117	115,042	101,740
0.306	0.832	0.320	0.306
	Net assets per share (US \$ / RO)		

UN-AUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2019

31-Mar-19 US \$ '000	31-Mar-19 US \$ '000	31-Mar-19 RO'000	31-Mar-19 RO'000
40,121	43,433	16,706	15,429
(24,769)	(24,234)	(9,321)	(9,526)
(5,245)	(6,692)	(2,189)	(2,017)
(3,015)	(5,556)	(2,250)	(1,505)
526	900	346	202
5,621	8,450	3,251	2,160
-	(3,032)	(1,186)	(52)
(136)	(450)	(172)	(52)
5,485	4,969	1,912	1,739
(960)	(746)	(287)	(266)
4,525	4,225	1,625	1,739
4,525	4,225	1,625	1,739
4,525	4,225	1,625	1,739
4,525	4,225	1,625	1,739
4,525	4,225	1,625	1,739
0.025	0.023	0.009	0.010
	Basic earnings per share (US \$ / RO)		